CALIFORNIA REGIONAL ECONOMIES PROJECT

CALIFORNIA ECONOMIC PROFILE: A STATEWIDE OVERVIEW & REGIONAL ANALYSES

Prepared for the

CALIFORNIA ECONOMIC STRATEGY PANEL

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California Economic Strategy Panel

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CALIFORNIA ECONOMIC STRATEGY PANEL

Acknowledgements

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PREFACE

The California Economic Strategy Panel (Panel) continuously examines changes in the state's economic base and industry sectors to develop a statewide vision and strategic initiatives to guide public policy decisions for economic growth and competitiveness (see www.labor.ca.gov/panel/). The fifteen-member Panel is comprised of eight appointees by the Governor, two appointees each by the President pro Tempore and the Speaker and one each by the Senate and Assembly Minority Floor Leaders. The Secretary of the California Labor & Workforce Development Agency serves as the Chair.

The Panel first identified California's economy as an economy of regions in 1996. At that time, the Panel also adopted a new way of looking at industry sectors and how they function and grow as industry clusters. These new ways of looking at the economy became the basis for the analytical work completed then, and have provided a foundation for the Panel's work since that time.

The California Regional Economies Project is currently the lead research mechanism for the Panel to identify economic policy issues. The project provides the state's economic and workforce development systems with data and information about changing regional economies and labor markets. The information provides a new resource in economic and workforce development planning and a bridge connecting economic and workforce policies and programs at the state and regional levels.

In order to understand the state's economy and the changes taking place within industry sectors and industry clusters, it is important to recognize the regional nature of the economy and to analyze the economic base by region. To do this, the statewide and nine regional economic base reports analyze the patterns of employment, business establishments, wages, population, unemployment rate and other key factors.

This report presents a statewide overview and comparative analysis of the nine regions from 2001 to 2005. In-depth economic base reports for each region are also available at www.labor.ca.gov/panel/. Previous economic base reports examined the 1990-2002 and the 2001-2004 periods. The earlier reports were the first economic base reports for the regional economies as they are defined today. The Panel's initial work, from 1994-1996, resulted in identification of six regions and provided regional economic base analyses; however, those regions had been significantly redefined by 1998, making comparisons to the early analyses impractical.

The source of the data used for these reports is the official employment and wage information reported by employers to the State. While a variety of other sources provide similar information, they may not capture the official numbers that employers report, or may not include input from all employers. This data source is the most comprehensive and accurate source of information direct from employers, and is therefore the best to use for public policy-making, planning and program administration.

The Panel has taken steps to institutionalize the analysis and preparation of these economic base reports within State government so that this analysis may be provided on a yearly basis. Also, steps have been taken to leverage the body of knowledge that now exists around the study of industry clusters, gained through the California Regional Economies Project.

First, a non-confidential version of the data series, the *California Regional Economies Employment Series*, has been made available online by the California Employment Development Department's Labor Market Information Division (LMID) so that regional organizations may access this data at the county level. Second, a step-by-step guide, the *Industry Clusters of Opportunity User Guide,* is available online so that regional organizations can conduct industry cluster studies and work with business and industry to test and apply the findings. With this information, regional organizations may conduct their own economic base and industry cluster analyses down to the county level, and they may combine county data to create their own sub-regional study areas. Training workshops are being held to teach the methodology and processes outlined in the *Industry Clusters of Opportunity User Guide* to representatives from Local Workforce Investment Boards, economic development organizations, the Employment Training Panel, LMID, educational institutions and programs including Community Colleges and Regional Occupational Programs, and other local jurisdictions.

The statewide and regional economic base reports, the *Industry Clusters of Opportunity User Guide* and other studies are available on the Panel's website at www.labor.ca.gov/panel/espcrep.htm.

The *California Regional Economies Employment Series* is available online at www.labormarketinfo.edd.ca.gov/cgi/databrowsing/?PageID=173.

The California Regional Economies Project is sponsored by the California Labor & Workforce Development Agency, California Employment Development Department, California Workforce Investment Board and the California Community Colleges Chancellor's Office.

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HISTORICAL CONTEXT AND DEVELOPMENT OF THE METHODOLOGY

PAST AND PRESENT

The California Regional Economies Project provides data and information about changing regional economies and labor markets. The information provides a new resource in economic and workforce development planning and investment decisions, and a bridge connecting economic and workforce policies and programs at the state and regional levels.

In order to understand the state's economy and the changes taking place within industry sectors and industry clusters, it is important to recognize the regional nature of the economy and to analyze the economic base by region. To do this, the statewide and nine regional economic base reports analyze the patterns of employment, business establishments, wages, population, unemployment rate and other key factors.

The California Workforce Investment Board (State Board) sponsored the project, to help address its own need for timely information about the economy and key labor and workforce issues that would drive investment decisions by the State Board and by the Local Workforce Investment Boards and their service delivery system of One-Stop Career Centers. At a time when the federally-funded system was being called to become more responsive to the changes taking place in the economy, the Project would provide important information and would help to create a bridge for dialogue and collaboration between the economic and workforce development worlds.

The first phase of the California Regional Economies Project was completed in 2004. In addition to the economic base reports, the studies looked at key industry clusters and how they are changing or transforming. These included the health sciences and services cluster, the manufacturing cluster (design, production and logistics), and a newly evolving rural economic cluster around quality of life and quality of place experiences. The monographs discussed critical issues to California; workforce transition, conditions of economic competitiveness, and innovation's impact on productivity and economic prosperity.

A second phase was completed in 2005, which provided three additional studies, and produced a training guide and workshops to teach others the methodology behind the Project's work. The 2005 studies included an in-depth look at the logistics component of the manufacturing cluster, entrepreneurship's important role in rural economies, and the impact of immigration on the state's economy. The training guide and workshops provided a first step toward institutionalizing this approach to economic analysis at the regional and local level, providing local and regional organizations with the tools needed to complete their own analyses.

In the 2006 phase, the Project provided two additional industry cluster studies and additional training sessions, and took the first steps to institutionalize production of the economic base analysis within State government. The first of the two 2006 studies examines the agricultural sector, considering the larger cluster involved in food production, processing, distribution, and support. The second study looks at California's infrastructure industry cluster, from planning and design to construction.

For the current phase, two additional studies have since been commissioned, to be completed in 2008. The California Community Colleges Chancellor's Office has joined the partnership and is sponsoring additional training workshops in 2007. Also in the current phase, the second round of annual updates to the economic base reports are the foundation of this statewide report. The current reports provide an update to the 2006 reports, and now provide a unified methodology for all regions' reports. Detailed economic base reports for all nine regions are available at www.labor.ca.gov/panel.

METHODOLOGY

The original economic base reports by the Project were produced in 2004. They looked at the period of 1990 – 2002. The updates produced in 2006 looked at the period of 2001 – 2004. The current reports look at the period of 2001 – 2005. (The most current data available at the time of this series was the 2005 data.)

Data Sources

Both the original and current economic base reports use confidential employer data, which cannot be released to the public. Non-confidential versions have been made available online, as noted below. There is more than one source of data for employment statistics. The original and current economic base reports used different sources.

The first economic base reports used customized employer data from the Current Employment Statistics (CES) data. The Labor Market Information Division (LMID) of the California Employment Development Department (EDD) prepared the data for the project team's use. At the time, the new North American Industry Classification System (NAICS) was very new, and not all years of employer data were available using the new coding system. Most years of data still used the Standard Industry Classification (SIC) coding system; only the most recent years of data used the NAICS coding system. LMID staff manually converted the federal CES data from SIC into NAICS. A non-confidential version of this data was made available online at the county level.

The current reports use Quarterly Census of Employment and Wages (QCEW) data for the private industry data, which uses the NAICS coding system. This is a relatively new source of employer data. Since the original economic base reports were completed, the federal Bureau of Labor Statistics has converted prior years of data from SIC to NAICS. This eliminated the need to have the LMID staff manually convert data. Instead, LMID staff prepared the data sets for the project team from the confidential federal QCEW data. The federal non-confidential QCEW data is available to the public at the BLS website. (Confidential data includes information that could allow the user to identify a specific company; the government has an agreement with the employers that such information will not be released to the public.) The LMID staff also prepares and maintains non-confidential versions of the project data sets, by county, the *California Regional Economies Employment Series*, which is available online.

The differences in the data sources mean that there may be slight discrepancies in the data and findings from the first set of economic base reports when compared to the data and findings in

the current reports. Some differences may be explained by the change from manually converted data to the federally converted data; others may be due to changing from CES to QCEW.

The QCEW data provides summary data by NAICS code, including number of establishments, number of employees, and total annual wages. Individual employers report this information, which is taken and summed by NAICS code. The establishment and employment numbers are simple totals; the average wage rate is calculated by taking the total annual wages and dividing by the total employment.

The QCEW is an important data source for the economic base reports and industry cluster studies that will inform public policy-making, planning and program administration. The QCEW data capture the official employment and wage information reported by employers to the State. While a variety of other sources provide similar information, they may not capture the official numbers that employers report, or may not include input from all employers. This data source is the most comprehensive and accurate source of information direct from employers.

The CES data is still used for all levels of government employment data. While some data are required to be suppressed, LMID recommends using CES as the data source for the government data as they feel it is overall the most accurate and complete for the purpose of this report. The CES data does not offer wage information, so the government wage information in this report was taken from the federal Bureau of Labor Statistics (BLS) QCEW non-confidential data available online.

Steps have been taken to share and leverage the body of knowledge that now exists around the study of industry clusters gained through the Project. In addition to making available the *California Regional Economies Employment Series*, a step-by-step guide, the *Clusters of Opportunity User Guide,* was published online that teaches the Project methodology for conducting industry cluster studies. Training workshops have been held to teach the methodology and processes outlined in the *Clusters of Opportunity User Guide* to representatives from local and regional organizations including Local Workforce Investment Boards, economic development organizations, and community colleges.

Industry Clusters versus Sectors

Outside of the original economic base reports, much of the Panel's work looks at industry clusters, rather than industry sectors. An industry sector is a group of firms that are doing the same type of work, making the same type of products, or providing the same types of services. Examples include manufacturing, construction, retail trade and health care.

An industry cluster is a group of interdependent industry sectors characterized by competing firms and buyer-supplier relationships, as well as shared labor pools and other specialized infrastructure. They are also geographically concentrated. When identifying "industry clusters of opportunity," the Project adds additional considerations that focus on employment opportunities for regional residents.

Definition of the Economic Base Industries

Economists divide industries into two groups; export-oriented and local-serving (also referred to as population-driven). Export-oriented industries are industries that sell a large portion of their goods and services to people and businesses in markets outside of the region, creating capital (bringing capital into) the region. Examples of export-oriented industries include manufacturing; wholesale trade; tourism; and, professional, scientific & technical services. Many service industries are included, as most professional, technical and scientific service firms sell to worldwide markets. Local-serving industries are industries that sell their goods and services to people and businesses in markets within the region. These industries do not typically create new capital for the region, but recirculate it within the region. Examples of local-serving industries include health care and retail trade.

In the first economic base reports completed in 2004, the two principal researchers who provided the analyses did not agree on a common definition of an area's economic base. Specifically, they did not agree on the types of industries that should be included. One favored the traditional approach, which says that only export-oriented industries should be considered the economic base. This researcher was analyzing the urban regions, and this traditional definition worked well for those regions. The other researcher analyzed the rural regions, and saw that there were key local-serving industries that were also starting to sell more of their products and services to people outside of the local area (out of the region). There were also other local-serving industries that were as critical to the region as the export-oriented industries, if not more so. Due to transformations taking place in the industries and/or rural regions, it was felt this warranted their inclusion in the economic base.

For the economic base reports completed in 2006, we chose to include some industries in our definition of the economic base that are not traditionally included. We acknowledged that this use of the term, "economic base," conflicted with the standard definition, and that we chose to redefine it for the purpose of those reports. We promised to revisit this issue, and have done so for the current reports.

The current reports begin with an overview of the economy and all major industry sectors. Next, we provide an analysis of the economic base. In order to recognize and reconcile past researchers' differences regarding the definition of the economic base, we have chosen to use the traditional definition of economic base for this section (as found in the economic base reports produced in 2004 for the urban regions) and to then follow it with a separate section that provides an in-depth analysis of other key industries and industry clusters that are also important to the region's economy – drawing from the reasoning behind the expanded definitions of the economic base used in some of the past reports. We do this in order to incorporate the traditional approach in a meaningful way for those who prefer that approach, while recognizing the importance of seeking alternative ways to view the economy. Definitions by NAICS code classification for the economic base industries and for the industry clusters are included in the body of each report.

Manufacturing

Manufacturing is a cornerstone of the economy. Changes in employment within Manufacturing are closely monitored. Therefore, it is important to note that the employment counts reported for Manufacturing may be impacted by two key factors.

First, some Manufacturing firms may report all of their employment in a given location as manufacturing, while not all of the work actually being done at that location is manufacturing. (This may be true for other industries, as well.) Firms are encouraged to report employment under multiple industry codes in order to most accurately capture the type of employment; however, this is somewhat at the firm's discretion.

Second, there is a growing percentage of manufacturing jobs being filled by the Employment Services industry,* suggesting that Manufacturing firms are relying more heavily on the use of temporary workers. These workers are reported as employees of the Employment Services firm, thus affecting the count of manufacturing jobs.

* US Department of Labor, Bureau of Labor Statistics, *Career Guide to Industries: Employment Services*

THE ECONOMIC REGIONS

California is an economy of diverse regions. Each region has different industries, infrastructures and workforces. Because we have one of the largest and most diverse economies in the world, the Panel determined the need to analyze California's different economic regions based on factors that reflected the economic, demographic and geographic characteristics of each county in the state, such as metropolitan areas, population centers, industrial composition, and commute patterns. In general, the degree of similarity in characteristics among adjacent counties was the basis for establishing regional boundaries.

The Panel has identified nine economic regions in California. Since most economic data are not collected at a more local level than the county, this necessitates defining economic regions as aggregations of counties, even when county boundaries do not precisely define an economic area. From time to time, the Panel revisits the regional composition to see whether changes should be made. This occurred most recently in 2006, when San Benito County was moved into the Bay Area Region, from the Central Coast Region, to match the federal designation of San Benito County as a part of the San Jose Metropolitan Statistical Area.

The Panel has defined the current nine regions to be:

Northern California: Del Norte, Humboldt, Lake, Lassen, Mendocino, Modoc, Nevada, Plumas, Sierra, Siskiyou and Trinity Counties

Northern Sacramento Valley: Butte, Colusa, Glenn, Shasta and Tehama Counties

Greater Sacramento: El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba Counties

Bay Area: Alameda, Contra Costa, Marin, Napa, San Benito, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma Counties (San Benito was recently moved from the Central Coast Region to the Bay Area Region, with the federal change that moved San Benito into the San Jose Metropolitan Statistical Area)

Central Coast: Monterey, San Luis Obispo and Santa Barbara Counties

San Joaquin Valley: Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus and Tulare Counties

Central Sierra: Alpine, Amador, Calaveras, Inyo, Mariposa, Mono and Tuolumne Counties

Southern California: Los Angeles, Orange, Riverside, San Bernardino and Ventura Counties

Southern Border: Imperial and San Diego Counties

The map in **Figure 1** delineates the regional boundaries.

Figure 1 Map of California's Economic Regions

THE CALIFORNIA ECONOMY AND THE REGIONAL PERSPECTIVES

California is an economy of diverse regions. Each region has different characteristics, industries, infrastructures and workforces. It is important to understand trends by region in order to understand the impact of policies and economic or natural events on the regional and statewide economy. At the same time, it is also important to understand California's strengths from a statewide perspective. This report offers a statewide overview and comparative analysis of the nine regions.

REGIONAL COMPARISONS OF KEY CHARACTERISTICS

The following looks at key characteristics and compares the regions to each other and to the state.

Population

California is home to over 37 million people. Of these, almost half live in the Southern California Region and one-fifth live in the Bay Area Region. The third largest region is the San Joaquin Valley Region with over 10%, followed by the Southern Border Region with almost 9%. **Figure 2** shows the distribution of the population across regions.

Figure 2 Population Distribution

Area	2006	% of Statewide
Statewide	37,172,015	100.0%
Northern California Region	546,741	1.5%
No. Sacramento Valley Region	510,388	1.4%
Greater Sacramento Region	2,229,940	6.0%
Bay Area Region	7,446,262	20.0%
Central Coast Region	1,109,709	3.0%
San Joaquin Valley Region	3,821,513	10.3%
Central Sierra Region	193,644	0.5%
Southern California Region	18,080,413	48.6%
Southern Border Region	3,233,405	8.7%

Source: U.S. Bureau of Economic Analysis

Labor Force

Overall, the regions' share of the labor force corresponds closely with its share of the population. The regions with the greatest difference between their share of the state's labor force and share of the population were the Bay Area Region and the San Joaquin Valley Region. The Bay Area Region has a higher share of the state's workforce than it does of the population; however, the San Joaquin Valley Region has a higher share of the state's population than of the workforce. The distribution of the labor force across regions is presented in **Figure 3**.

Figure 3 Labor Force Distribution

Area	2005	% of Statewide
Statewide	17,695,568	100.0%
Northern California Region	183,678	1.0%
No. Sacramento Valley Region	239,042	1.4%
Greater Sacramento Region	1,136,678	6.4%
Bay Area Region	3,705,796	20.9%
Central Coast Region	557,475	3.2%
San Joaquin Valley Region	1,658,113	9.4%
Central Sierra Region	91,152	0.5%
Southern California Region	8,556,817	48.4%
Southern Border Region	1,566,817	8.9%

Source: EDD/Labor Market Information Division (LMID)

Unemployment Rate

The statewide unemployment rate was 5.4% in 2005. The region with the lowest unemployment rate was the Southern Border Region, at 4.8%. This region includes only two counties, San Diego and Imperial, and their combined unemployment rate masks the high unemployment in Imperial County (15.8%). The San Joaquin Valley Region reported the highest unemployment rate (8.6%) in 2005, followed by the Northern Sacramento Valley Region (7.1%) and Northern California Region (6.9%). Four predominantly urban regions have unemployment rates lower than the statewide rate.

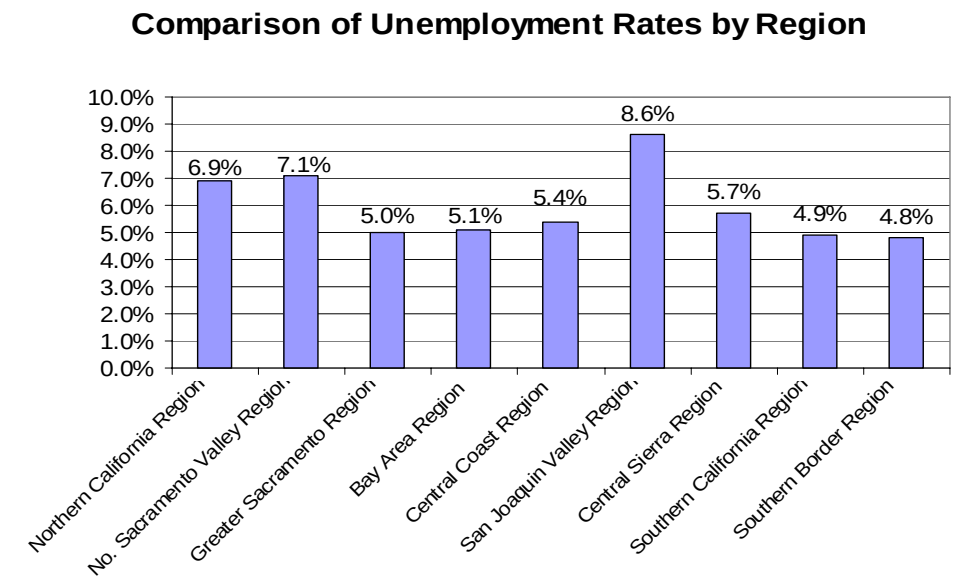
Figure 4 shows the unemployment rate for each region and how it compares to the statewide unemployment rate.

Figure 4 Unemployment Rate

Area	2005	% of Statewide
Statewide	5.4%	100.0%
Northern California Region	6.9%	127.3%
No. Sacramento Valley Region	7.1%	132.2%
Greater Sacramento Region	5.0%	92.1%
Bay Area Region	5.1%	93.8%
Central Coast Region	5.4%	99.8%
San Joaquin Valley Region	8.6%	158.6%
Central Sierra Region	5.7%	105.2%
Southern California Region	4.9%	91.6%
Southern Border Region	4.8%	88.0%

Source: EDD/LMID

Figure 5 Unemployment Rates by Region



Source: EDD/LMID

Per Capita Income

The statewide per capita income in 2005 was $36,936. Of the nine regions, only the Bay Area, Central Coast and Southern Border Regions had higher per capita income levels. The region with the lowest per capita income was the San Joaquin Valley at $25,119, which was only 68% of the statewide average.

Figure 6 shows the per capita income for each region and how it compares to the statewide average.

Figure 6 Per Capita Income

Area	2005	% of Statewide
Statewide	$ 36,936	100.0%
Northern California Region	$ 28,853	78.1%
No. Sacramento Valley Region	$ 26,948	73.0%
Greater Sacramento Region	$ 34,762	94.1%
Bay Area Region	$ 49,650	134.4%
Central Coast Region	$ 37,191	100.7%
San Joaquin Valley Region	$ 25,119	68.0%
Central Sierra Region	$ 29,616	80.2%
Southern California Region	$ 34,664	93.8%
Southern Border Region	$ 39,628	107.3%

Source: U.S. Bureau of Economic Analysis

Average Annual Wages

The statewide average annual wages for private industry in 2005 was $45,686.[1] The region with the highest average annual wages in 2005 was the Bay Area Region, followed by the Southern California Region and the Southern Border Region. The region with the lowest average annual wages was the Northern California Region, followed by the Central Sierra Region and the Northern Sacramento Valley Region.

Figure 7 Average Annual Wages

Area	2005	% of Statewide
Statewide	$ 45,686	100.0%
Northern California Region	$ 27,726	60.7%
No. Sacramento Valley Region	$ 29,003	63.5%
Greater Sacramento Region	$ 39,267	86.0%
Bay Area Region	$ 59,881	131.1%
Central Coast Region	$ 34,687	75.9%
San Joaquin Valley Region	$ 30,432	66.6%
Central Sierra Region	$ 27,782	60.8%
Southern California Region	$ 43,812	95.9%
Southern Border Region	$ 42,485	93.0%

Source: LMID/California Regional Economies Employment Series (CREE)

California's Jobs

The distribution of private and public sector employment in 2005, by region, is shown in **Figure 8**. The Southern California Region had 7,152,900 jobs, almost 47% of all jobs in the state. Second, the Bay Area region had 3,363,000 jobs, just over 22% of all jobs in the state. In contrast, the smallest region – the Central Sierra Region – had only 61,300 jobs, or less than one half of one percent of the state's jobs. **Figure 9** presents a graph of this job distribution.

Figure 8 Distribution of California's Private and Public Sector Jobs

Area	Private Industry	All Government	Total	% of Statewide
Statewide	12,827,700	2,416,500	15,244,200	100.0%
Northern California Region	125,100	49,680	174,700	1.1%
No. Sacramento Valley Region	137,800	38,220	176,100	1.2%
Greater Sacramento Region	705,100	235,700	940,800	6.2%
Bay Area Region	2,870,600	492,400	3,363,000	22.1%
Central Coast Region	376,400	88,500	464,900	3.0%
San Joaquin Valley Region	1,048,000	255,600	1,303,600	8.6%
Central Sierra Region	41,200	20,070	61,300	0.4%
Southern California Region	6,151,300	1,001,600	7,152,900	46.9%
Southern Border Region	1,115,600	231,900	1,347,500	8.8%

* Private Industry employment rounded to nearest 100. Numbers may not add due to rounding.

[1] This information is taken from the total wages reported by employers for all industries. The average is calculated by dividing the total wages by the total employment (average annual employment); the wages and employment data reported do not distinguish between part and full time hours or overtime hours worked. This statistic provides good information for making comparison and tracking trends; it may not be the best resource for employers to use when determining an appropriate pay scale for their workforce.

Figure 9 California's Jobs by Region

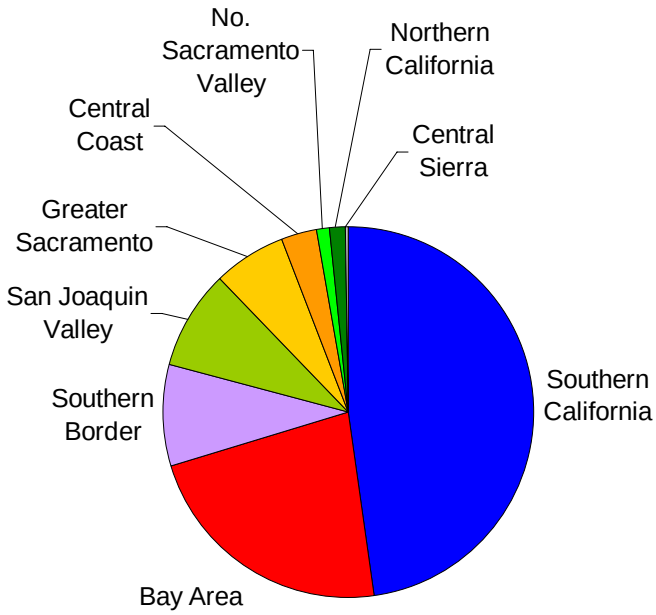


Figure 10 summarizes and compares key characteristics by region.

Figure 10 Key Characteristics by Region

Area	2006 % of Popu-lation	2005 % of Labor Force	2005 % of All Jobs*	2005 Unempl. Rate	2005 Avg. Annual Wage**	2005 Per Capita Income
Statewide	100.0%	100.0%	100.0%	5.4%	$ 45,686	$ 36,936
Northern California Region	1.5%	1.0%	1.1%	6.9%	$ 27,726	$ 28,853
No. Sacramento Valley Region	1.4%	1.4%	1.2%	7.1%	$ 29,003	$ 26,948
Greater Sacramento Region	6.0%	6.4%	6.2%	5.0%	$ 39,267	$ 34,762
Bay Area Region	20.0%	20.9%	22.1%	5.1%	$ 59,881	$ 49,650
Central Coast Region	3.0%	3.2%	3.0%	5.4%	$ 34,687	$ 37,191
San Joaquin Valley Region	10.3%	9.4%	8.6%	8.6%	$ 30,432	$ 25,119
Central Sierra Region	0.5%	0.5%	0.4%	5.7%	$ 27,782	$ 29,616
Southern California Region	48.6%	48.4%	46.9%	4.9%	$ 43,812	$ 34,664
Southern Border Region	8.7%	8.9%	8.8%	4.8%	$ 42,485	$ 39,628

* This includes both private and public sector jobs.
** The Average Annual Wage is the average for private industry.

CALIFORNIA'S ECONOMY

From 2001 to 2005, which includes the recent recession in 2001, California experienced overall job growth of 563,100 jobs, or 3.8%; private industry jobs increased by 4% and All Government[2] jobs increased by 2.9%. Also during this time, the state's population grew by over 1.6 million people, or 4.6%, and per capital income grew by 12.4%.

The state's private industry and government sectors employed just over 15,244,200 in 2005; over 12,827,700 of these jobs were in private industry and 2,416,500 were in All Government. The private industry sector was composed of over 1,153,400 businesses, reporting an average annual wage of $45,686. This was up 12.2% from the 2001 average of $40,708.

Employment Size

All Government provides the largest number of the state's jobs, with 2,416,500 jobs in 2005, or about 16% of all jobs in the region. Within All Government, the largest sub-sector is Local Government Education (1,702,800 jobs), led by Local Government Education (940,800 jobs). All Government represents federal, state and local government jobs, and includes defense, law enforcement, firefighting and public education, as well as public services.

The second largest sector, and largest private industry sector, is Retail Trade, providing 1,652,200 jobs, or 10.8% of all jobs in California. The largest sub-sector is Food & Beverage Stores (323,500 jobs in 2005), followed by General Merchandise Stores (275,500 jobs), Motor Vehicle & Parts Dealers (200,500 jobs), and Clothing & Clothing Accessories Stores (184,800 jobs).

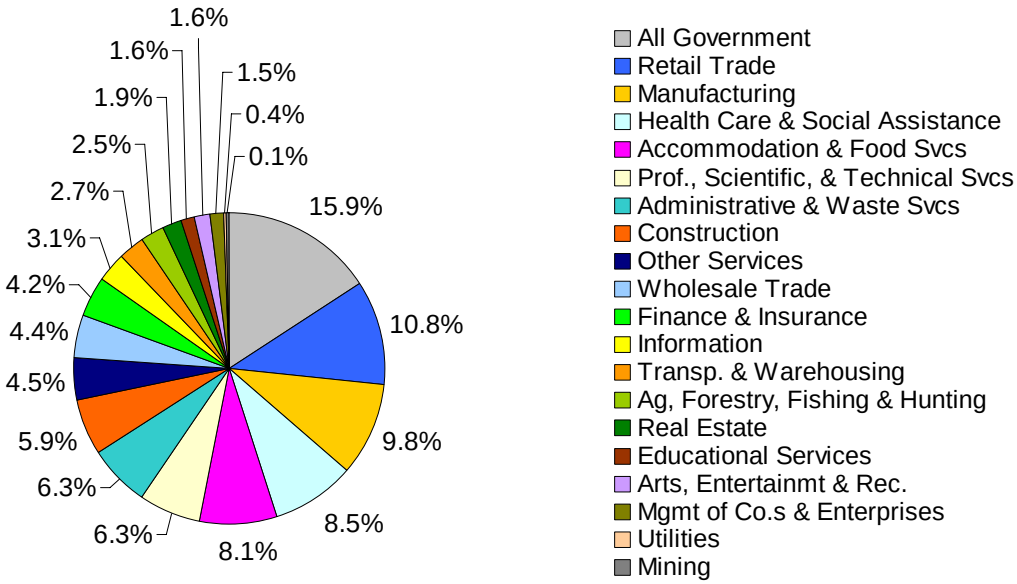
Manufacturing is the third largest sector, with 1,498,700 jobs in 2005 (9.8% of all jobs). The largest sub-sectors are Computer & Electronic Product Manufacturing (320,000 jobs in 2005), Food Manufacturing (152,300 jobs), Fabricated Metal Product Manufacturing (139,700 jobs), and Transportation Equipment Manufacturing (127,400 jobs).

Next in employment size are the sectors of Health Care & Social Assistance with almost 1,299,200 (8.5% of all jobs), and Accommodation & Food Service with 1,227,700 jobs (8.1% of all jobs).

Figure 11 shows employment distribution across the major industry sectors.

[2] Government jobs include education, law enforcement, firefighting, defense and public services jobs for all levels of government (federal, state and local).

Figure 11 Employment Distribution



Growth Rate

Other Services reported the fastest growth rate from 2001 to 2005, at 19.5%, for an average annual growth rate (AAGR) of 4.5%. Within this sector, growth was led by its largest sub-sector, Private Households, up 99,700 jobs or 68.2% (13.9% AAGR). Private Households includes 1) those individuals hiring nannies, babysitters and housekeepers; and, 2) those in need of in-home support services.[3]

The second highest rate of growth was reported by Construction, which grew by 18.1% from 2001 to 2005, for an AAGR of 4.3%. The sector reported job losses from 2001 to 2002, but more than recovered those losses by the following year, and then reported steady growth through 2005. Within this sector, the Construction of Buildings sub-sector reported the fastest growth rate, up 21.6%; this was led by Residential Building Construction, up over 35%, while Non-residential Building Construction experienced slight job losses (-0.4%).

The third highest rate of growth was reported by Educational Services (up 15.8%; 3.7% AAGR), followed closely by Finance & Insurance (up 15.4%; 3.7% AAGR).

On the other hand, Management of Companies & Enterprises reported the greatest percentage of job losses from 2001 to 2005, at -22.4%, and the second highest number of jobs lost, down 64,600 jobs; however, at least a portion of the job losses reported in this sector may be because some of the companies that originally reported under this sector are now classified in other sectors.

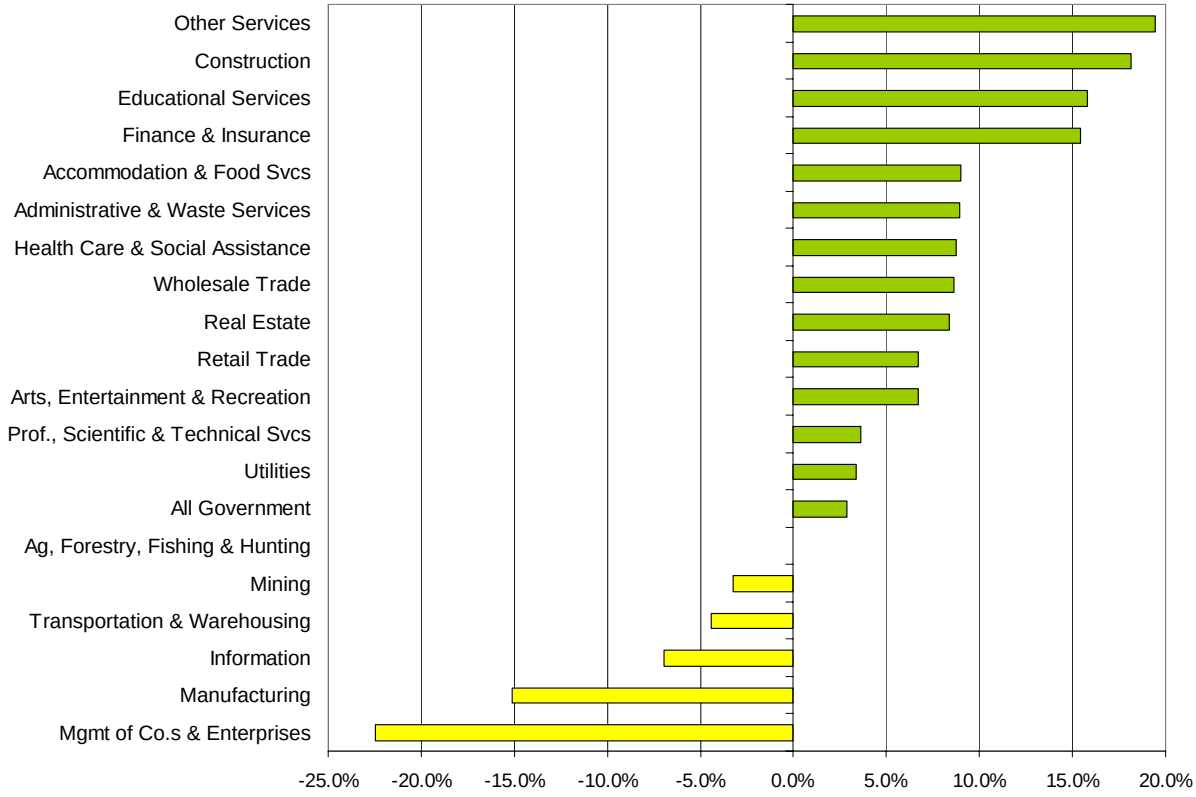
Manufacturing reported the second fastest job decline, and the greatest number of jobs lost, down 15% (-267,200 jobs) from 2001 to 2005. Job losses were heaviest from 2001 to 2002,

[3] The NAICS codes do not separate these two types of Private Household employment, but LMID has indicated that the in-home support services have experienced the most growth.

down 147,000 jobs. This was followed by another year of significant losses from 2002 to 2003, down 99,700 jobs. This decline began to slow from 2003 to 2004, with 11,500 jobs lost; and again from 2004 to 2005, with 9,100 jobs lost.

Information on employment growth from 2001 to 2005 for all industry sectors may be found in **Figures 12** and **13**.

Figure 12 Employment Growth 2001 - 2005

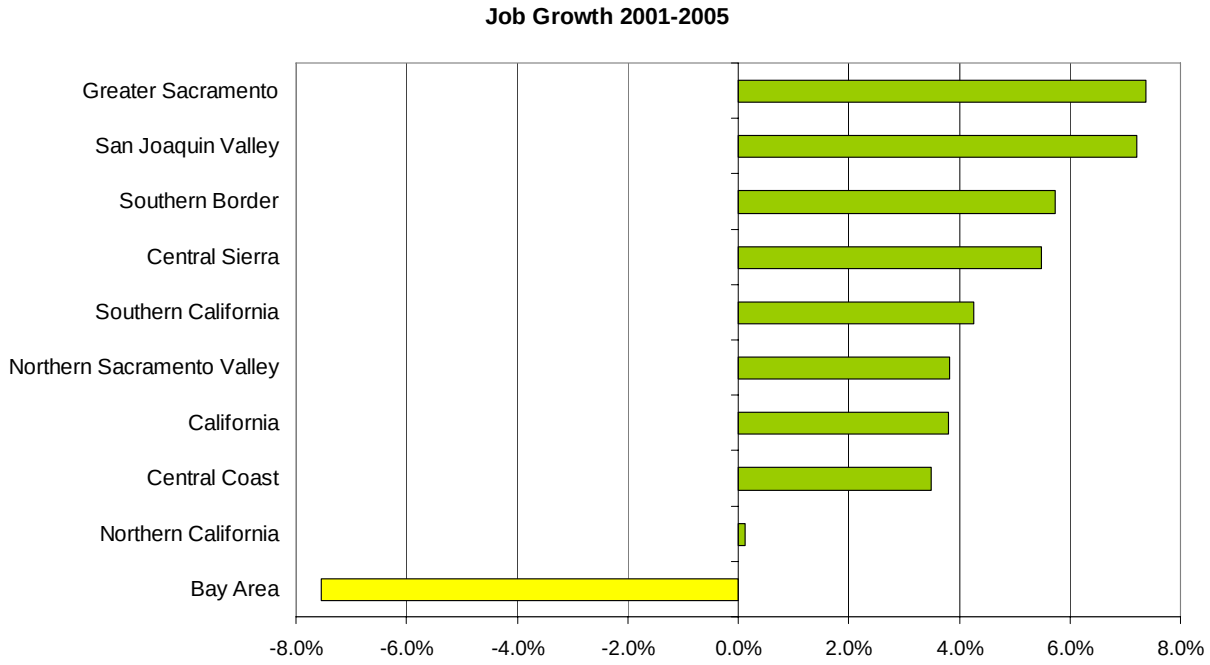


Regional Growth

The Greater Sacramento Region experienced the most job growth from 2001 to 2005, followed by the San Joaquin Valley Region and the Southern Border Region. The Northern California Region experienced the least job growth, but only the Bay Area Region experienced net job losses during this period.

Figure 13 compares regional and statewide employment growth from 2001 to 2005.

Figure 13 Comparison of Regional and Statewide Employment Growth 2001-2005



Concentration or Competitive Advantage

The concentration of jobs in an industry in the state, compared to the concentration at the national level, is another indicator of an industry's importance to the state's economy.[4] A concentration level higher than 1.0 may indicate that the state has a competitive advantage in that industry; it may also indicate that the goods and services being produced are being consumed outside of the state.

In California, the Agriculture, Forestry, Fishing & Hunting sector reported the highest concentration in 2005, at 2.8. Within the Agriculture, Forestry, Fishing & Hunting sector, the sub-sector with the greatest concentration is Support Activities for Agriculture & Forestry.

The Other Services sector reported the second-highest concentration at the sector level, at 1.4, led by the Private Households.

The Information sector reported the third-highest concentration at the sector level at 1.3. Within Information, very high concentrations are found for sub-sectors Motion Picture & Sound Recording Industries and Internet Publishing & Broadcasting.
The state has a very strong competitive advantage in these sectors and sub-sectors. Findings are presented later in this section, which identify the highest concentrations across all sub-sectors (not just within the leading sectors). The concentration values for the ten largest industries are included in **Figure 14**.

[4] For the statewide report, concentration is compared to the national level. This differs from the regional reports, where regional concentration is compared to the statewide level.

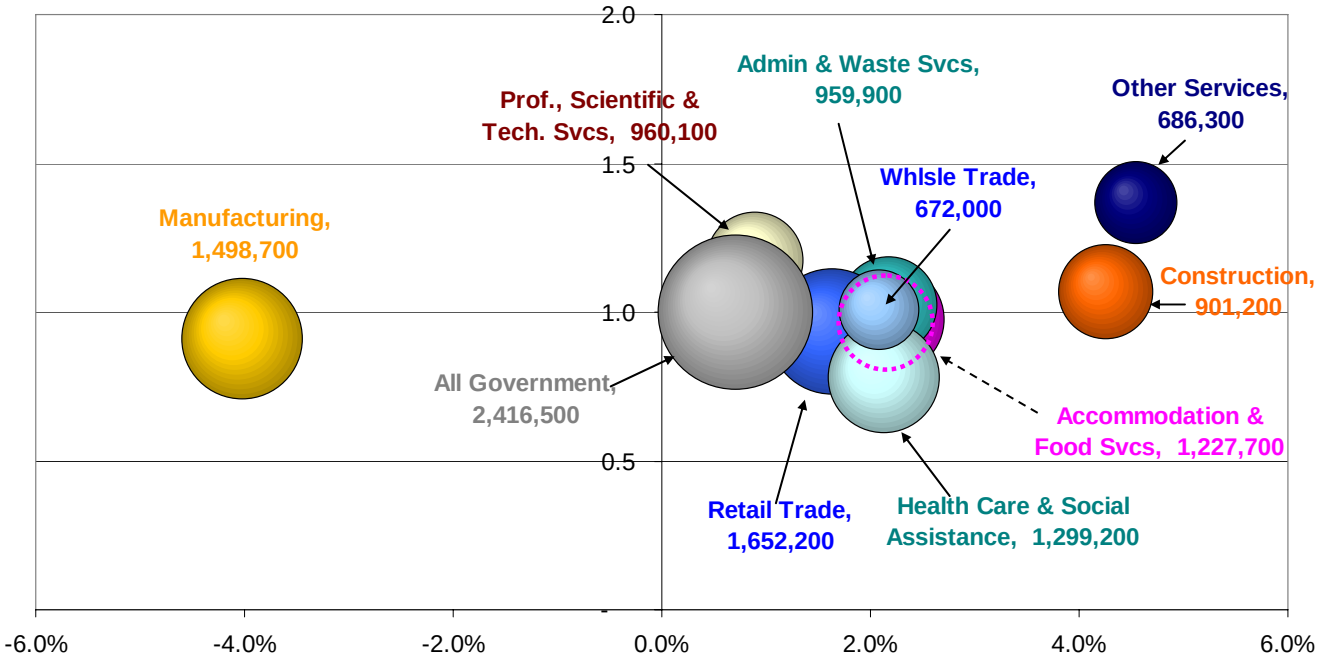
Comparing Size, Growth and Concentration

The following bubble charts show employment change from 2001 to 2005 for the state's industry sectors. **Figure 14** represents the ten largest sectors, based on employment size, and **Figure 15** represents the remaining ten sectors. This type of chart displays three important criteria in one chart – employment size, growth rate and concentration.

Interpreting the chart:

- The size of the bubble represents the employment size of the industry.
- The position from left to right indicates the employment change – to the left of zero means job losses, and to the right means job growth. The average annual growth rate (AAGR) is graphed as a percentage.
- The vertical position indicates the concentration of the industry in the state; the higher the bubble, the greater the concentration. A concentration greater than 1.0 means the state has a higher concentration of jobs in that industry than is found nationally. Industries highly concentrated within the state are important to the state, even if they are not the largest in employment size.

Figure 14 Size, Growth and Concentration of the Ten Largest Industries

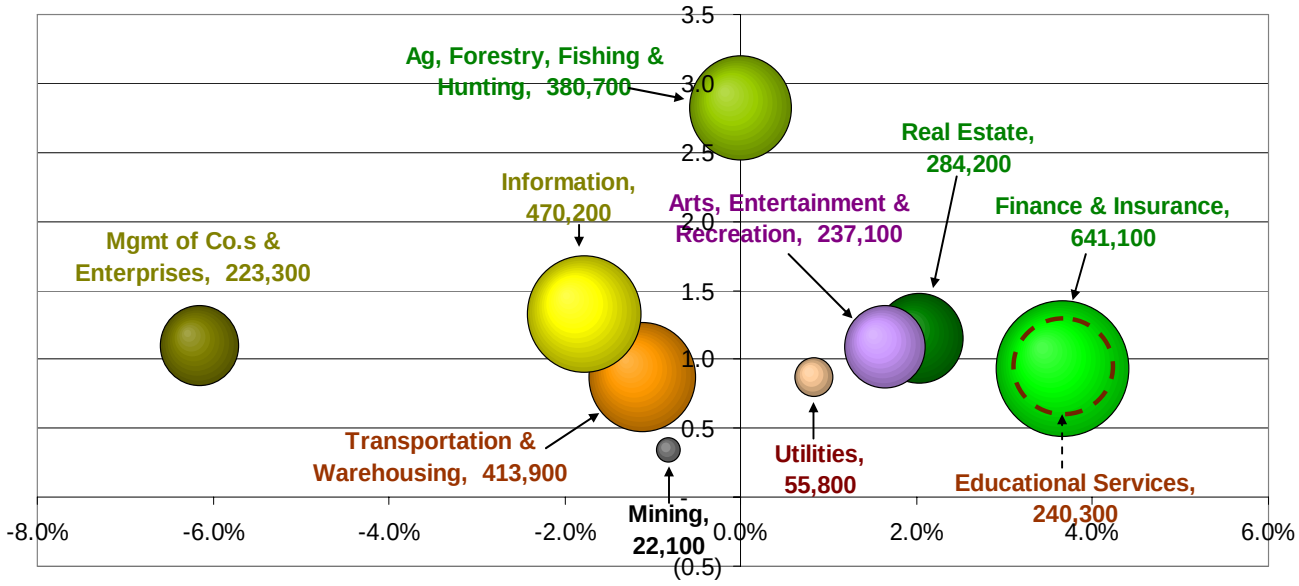


For the ten largest industry sectors:

- **All Government** is the largest sector, although reporting the second slowest growth rate from 2001 to 2005.

- **Other Services** (led by Private Households) shows the highest concentration and also reported the fastest growth from 2001 to 2005, although ninth in employment size.
- **Construction** reported the second fastest job growth.
- Nine of the ten largest sectors reported job growth; only **Manufacturing** reported negative job growth.
- Seven of the top ten sectors show concentration levels equal to, or below, the national level.

Figure 15 Size, Growth & Concentration for the Remaining Industry Sectors



For the rest of the industry sectors:

- **Ag, Forestry, Fishing & Hunting** has the highest concentration level, followed by **Information**.
- **Finance & Insurance** is the largest of these sectors.
- **Finance & Insurance** and **Educational Services** reported the strongest growth rates from 2001 to 2005, although neither have concentration levels above the national level.
- **Information** is the second largest sector and has a concentration above the national level, although the sector experienced job losses from 2001 to 2005.
- Five of these sectors reported job growth and four reported job losses; **Management of Companies & Enterprises** reported the strongest job losses.

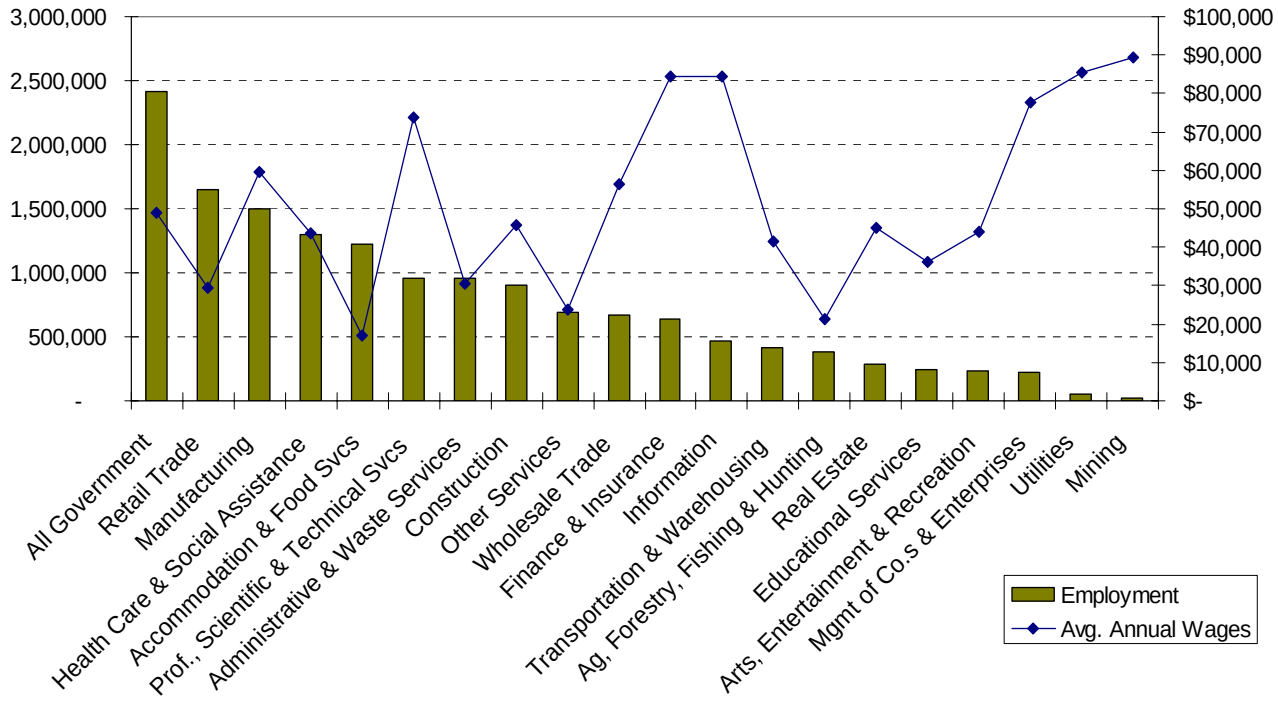
Average Wages

Another important factor to consider is how well an industry pays. In 2005, the average annual wage across all private industries in the state was $45,686.[5]

The highest average annual wage of $89,221 was reported by Mining, followed by Utilities at ($85,613), Information ($84,238), Finance & Insurance ($84,229), Manufacturing ($59,734) and Wholesale Trade ($56,551). All of these sectors were above the statewide average for all private industries. The lowest average annual wage, $16,852, was reported by Accommodation & Food Services. The average annual wage in the government sector was $49,091.

The following graph compares 2005 employment with the average annual wages reported by each industry sector.

Figure 16 2005 Employment and Average Annual Wages

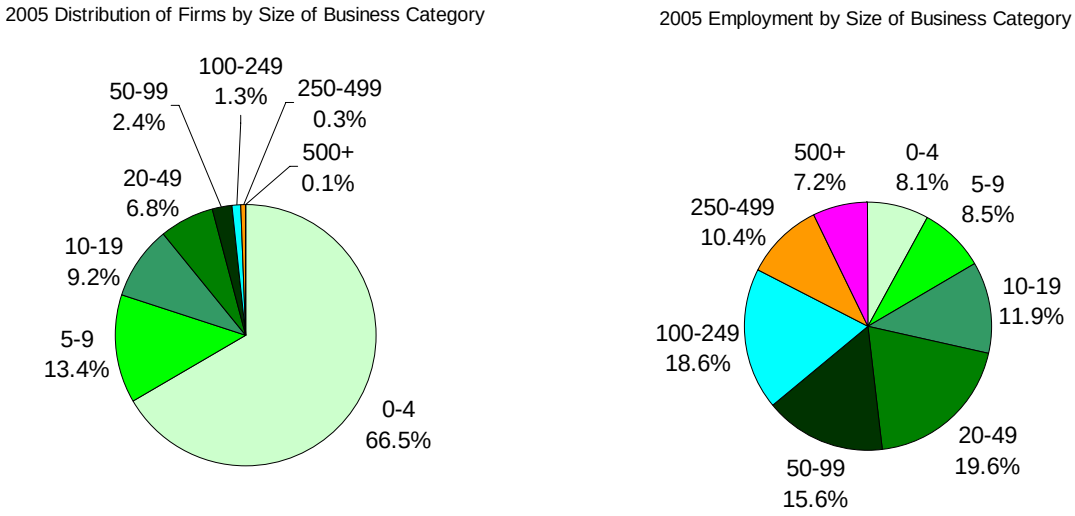


Size of Business

From 2001 to 2005, the percentage of businesses with fewer than 100 employees remained constant within the state at about 98%. These businesses provide almost 58% of the state's total employment. In contrast, only about 2% of all businesses in California employ 100 or more workers, and these businesses provide just over 41% of the state's private sector jobs.

[5] The average annual wage calculation does not distinguish between part and full time hours or overtime hours worked. It also masks the difference in pay between high-, mid- and entry-level jobs, and the distribution of employment across these levels. This statistic provides good information for making comparisons and tracking trends; however, it may not be the best resource available for employers or researchers and service providers to use when determining a competitive or typical pay scale for employees in a particular industry and/or region.

Figure 17 Distribution of Firms and Jobs by Size of Business in 2005



Businesses with fewer than 50 employees provided 43.7% of all private industry jobs in 2005. Looking at the smallest firms, those with fewer than 10 employees provided just over 15% of all private industry jobs. Other Services reported the highest percentage of businesses with fewer than 100 employees, at 99.9%, followed by Real Estate & Rental & Leasing, at 99.4%. Management of Companies & Enterprises reported the lowest percentage, at 87%.

Figure 18 provides a summary of economic facts for all of the industry sectors:

Figure 18 Industry Composition in 2005

NAICS	Major Industry Sector	% of Employ-ment	Avg. Annual Growth Rate	Concen-tration*	Avg. Annual Wage	Firms with < 100 employees	Firms with < 50 employees
11	Ag, Forestry, Fishing & Hunting	2.5%	0.0%	2.8	$ 21,361	95.8%	91.8%
21	Mining	0.1%	-0.8%	0.3	$ 89,221	93.5%	87.3%
22	Utilities	0.4%	0.8%	0.9	$ 85,613	90.6%	83.6%
23	Construction	5.9%	4.3%	1.1	$ 45,646	98.1%	95.2%
31-33	Manufacturing	9.8%	-4.0%	0.9	$ 59,734	93.6%	87.1%
42	Wholesale Trade	4.4%	2.1%	1.0	$ 56,551	98.4%	95.7%
44-45	Retail Trade	10.8%	1.6%	0.9	$ 29,397	97.0%	92.8%
48-49	Transportation & Warehousing	2.7%	-1.1%	0.9	$ 41,598	96.0%	91.4%
51	Information	3.1%	-1.8%	1.3	$ 84,238	96.1%	92.2%
52	Finance & Insurance	4.2%	3.7%	0.9	$ 84,229	97.9%	97.9%
53	Real Estate & Rental & Leasing	1.9%	2.0%	1.2	$ 45,122	99.4%	98.3%
54	Prof., Scientific & Technical Svcs	6.3%	0.9%	1.2	$ 73,682	98.7%	97.0%
55	Management of Co.s & Enterprises	1.5%	-6.2%	1.1	$ 77,574	87.0%	75.1%
56	Administrative & Waste Services	6.3%	2.2%	1.0	$ 30,398	95.2%	90.7%
61	Educational Services	1.6%	3.7%	1.0	$ 36,302	96.5%	91.8%
62	Health Care & Social Assistance	8.5%	2.1%	0.8	$ 43,766	97.9%	95.5%
71	Arts, Entertainment, & Recreation	1.6%	1.6%	1.1	$ 43,985	97.9%	93.8%
72	Accommodation & Food Services	8.1%	2.2%	1.0	$ 16,852	97.9%	92.3%
81	Other Services	4.5%	4.5%	1.4	$ 23,714	99.9%	99.7%
	All Government	15.9%	0.7%	1.0	$ 49,091	N/A	N/A

* The concentration compares California to the nation.

Figure 19 shows the rankings for all major industry sectors in four important areas; employment size, growth rate, concentration and wages.

Figure 19 Rankings

NAICS	Major Industry Sector	Employmt Size (2005)	AAGR*	Concen-tration**	Avg. Wage
11	Agriculture, Forestry, Fishing & Hunting	14	15	1	19
21	Mining	20	16	20	1
22	Utilities	19	13	17	2
23	Construction	8	2	8	10
31-33	Manufacturing	3	19	16	7
42	Wholesale Trade	10	8	10	8
44-45	Retail Trade	2	10	15	17
48-49	Transportation & Warehousing	13	17	18	14
51	Information	12	18	3	3
52	Finance & Insurance	11	4	14	4
53	Real Estate & Rental and Leasing	15	9	5	11
54	Prof., Scientific, & Technical Services	6	12	4	6
55	Management of Co.s & Enterprises	18	20	6	5
56	Administrative & Waste Services	7	6	9	16
61	Educational Services	16	3	13	15
62	Health Care & Social Assistance	4	7	19	13
71	Arts, Entertainment, & Recreation	17	11	7	12
72	Accommodation & Food Services	5	5	12	20
81	Other Services	9	1	2	18
	All Government	1	14	11	9

** AAGR – Average Annual Growth Rate*

*** Concentration – Percentage of the state's jobs found in an industry compared to percentage of national-level jobs found in that industry.*

Private Industry Sub-sectors and Industry Groups

While it is important to understand the economy at the major sector level, additional insight may be gained by looking at the sub-sector level, across all sectors. In the NAICS coding system, the three-digit level is the sub-sector level, and the four-digit level is the industry group level. The following explores the three- and four-digit levels in order to look within the major sectors to see specific sub-sectors and industry groups reporting significant employment, concentration and growth.

The ten largest sub-sectors (based on their employment size in 2005) provide over 37% of the state's jobs:

- Food Services & Drinking Places (NAICS 722) provides 6.7% of the jobs;
- Professional, Scientific & Technical Services (NAICS 541) provides 6.3% of the jobs;
- Administrative & Support Services (NAICS 561) provides 6% of the jobs;
- Specialty Trade Contractors (NAICS 238) provides 3.9% of the jobs;
- Ambulatory Health Care Services (NAICS 621) provides 3.4% of the jobs;
- Hospitals (NAICS 622) provides 2.5% of the jobs;
- Merchant Wholesalers, Durable Goods (NAICS 423) provides 2.3% of the jobs;
- Food & Beverage Stores (NAICS 445) provides 2.1% of the jobs;
- Credit Intermediation & Related Activities (NAICS 522) provides 2.1% of the jobs; and,
- Computer & Electronic Product Manufacturing (NAICS 334) provides 2.1% of the jobs.

The ten sub-sectors with the highest concentration[6], or greatest competitive advantage, (and representing at least 0.05% of the state's jobs in 2005) were:

- Support Activities for Agriculture & Forestry (NAICS 115) with a concentration of 4.6;
- Private Households (NAICS 814) with a concentration of 4.1;
- Motion Picture & Sound Recording Industries (NAICS 512) with a concentration of 3.5;
- Crop Production (NAICS 111) with a concentration of 2.8;
- Apparel Manufacturing (NAICS 315) with a concentration of 2.6;
- Computer & Electronic Product Mfg (NAICS 334) with a concentration of 2.1;
- Beverage Manufacturing (NAICS 312) with a concentration of 1.7;
- Internet Publishing & Broadcasting (NAICS 516) with a concentration of 1.7;
- Perf. Arts, Spectator Sports & Related Ind.s (NAICS 711) with a concentration of 1.4; and,
- Electronics & Appliance Stores (NAICS 443) with a concentration of 1.3.

The top ten fastest growing sub-sectors from 2001 to 2005, and providing at least 0.05% of the region's jobs, were:

- Wholesale Electronic Markets & Agents & Brokers (NAICS 425), with a 13.9% average annual growth rate (AAGR);
- Private Households (NAICS 814), with a 13.9% AAGR;
- Credit Intermediation & Related Activities (NAICS 522), with an 5.9% AAGR;
- Funds, Trusts & Other Financial Vehicles (NAICS 525), with a 5.4% AAGR;
- Motion Picture & Sound Recording Industries (NAICS 512), with an 5.2% AAGR;
- Construction of Buildings (NAICS 236), with a 5.0% AAGR;
- Specialty Trade Contractors (NAICS 238), with a 4.5% AAGR;
- Clothing & Clothing Accessories Stores (NAICS 448), with a 4.2% AAGR;
- Building Material & Garden Equipment & Supplies Dlrs (NAICS 444), with a 4.0% AAGR;
- Real Estate (NAICS 531), with a 3.8% AAGR;

The top ten best-paying sub-sectors in 2005, and providing at least 0.05% of the region's jobs, were:

- Securities, Commodity Contracts & Other Financial Investments (NAICS 523), with an average annual wage of $175,200;
- Oil & Gas Extraction (NAICS 211), $144,017;
- Internet Service Providers, Web Search Portals & Data Processing Svcs (NAICS 518), $132,875;
- Petroleum & Coal Products Manufacturing (NAICS 324), $112,929;
- Performing Arts, Spectator Sports & Related Industries (NAICS 711), $109,081;
- Computer & Electronic Product Manufacturing (NAICS 334), $98,563;
- Funds, Trusts & Other Financial Vehicles (NAICS 525), $89,724;
- Chemical Manufacturing (NAICS 325), $88,217;
- Utilities (NAICS 221), $85,613; and,
- Publishing Industries (except Internet) (NAICS 511), $82,488.

[6] A concentration greater than 1.0 means the state has a higher concentration of jobs in that industry than is found nationally. Industries with a high concentration are important to the state, even if they are not the largest in employment size.

Looking at the four-digit NAICS level, at private sector industry groups, **Figure 20** shows facts about the top 20 fastest growing industry groups, where the industry groups provided at least 0.01% of the state's employment. Some of these industry groups are very small in employment, but may warrant watching due to the very high growth reported from 2001-2005.

Figure 20 Top 20 Fastest Growing Industry Groups

NAICS	Industry Group	2005 Empl.*	2001-2005 AAGR	2005 Avg. Annual Wage
6117	Educational Support Services	11,600	22.1%	$ 30,835
5621	Waste Collection	13,700	18.7%	$ 47,029
5223	Activities Related to Credit Intermediation	54,000	16.5%	$ 69,815
4242	Drugs & Druggists' Sundries Merchant Wholesalers	23,600	14.8%	$ 81,442
4251	Wholesale Electronic Markets & Agents & Brokers	91,200	13.9%	$ 59,252
8141	Private Households	246,000	13.9%	$ 14,012
5611	Office Administrative Services	57,800	12.6%	$ 62,373
4529	Other General Merchandise Stores	66,600	11.6%	$ 26,072
4882	Support Activities for Rail Transportation	800	10.9%	$ 33,781
5416	Management, Scientific & Technical Consulting Svcs	136,300	10.4%	$ 67,474
5259	Other Investment Pools & Funds	6,900	10.1%	$ 108,601
6216	Home Health Care Services	48,000	9.4%	$ 30,590
5152	Cable & Other Subscription Programming	18,200	9.1%	$ 64,236
5222	Nondepository Credit Intermediation	92,500	8.7%	$ 83,499
5312	Offices of Real Estate Agents & Brokers	56,200	8.4%	$ 64,120
6115	Technical & Trade Schools	15,000	8.1%	$ 36,545
2361	Residential Building Construction	145,000	7.9%	$ 48,323
5191	Other Information Services	3,100	7.6%	$ 45,421
4851	Urban Transit Systems	3,800	7.0%	$ 28,287
6214	Outpatient Care Centers	47,900	6.8%	$ 46,731

* Employment rounded to nearest 100.

CALIFORNIA SNAPSHOT 2006 & 2007

*This snapshot provides estimates of employment change since 2005, to see what effects recent events may be having on the economy, as well as any lingering effects of the 2001 recession. This analysis uses a different data source than that used for the main report, so the findings for each time period are reported separately.**

For California, a look at recent preliminary data shows that the employment growth seen from 2001 to 2005 has continued in 2006 and 2007. Overall, nonfarm employment grew by 1.9% from 2005 to 2006, and again by 1.3% into 2007. From 2001 to 2005, eight of the eleven super sectors reported job growth; from 2005 to 2006, nine reported growth.

Of particular interest, the decline in Manufacturing employment slowed significantly in 2006, and is may be reversing in 2007. The strong growth in Construction has stopped, with losses reported in 2007, and the same is found in Financial Activities. These changes may be related to the housing downturn. Also during this period, job losses in Information have continued, while the Educational & Health Services and Professional & Business Services sectors have continued to experience job growth.

The following table summarizes employment change from 2001 to 2007. For 2001 through 2006, annual employment was compared; for 2006 to 2007, monthly employment data from July of each year was compared.

California	2001-2005	2005-2006	July06-July07
Total Nonfarm	**2.2%**	**1.9%**	**1.3%**
Natural Resources & Mining	-5.4%	6.4%	1.5%
Construction	18.1%	3.8%	-1.6%
Manufacturing	-15.1%	-0.7%	0.1%
Trade, Transportation, & Utilities	5.3%	1.8%	1.0%
Information	-6.9%	-0.2%	-1.3%
Financial Activities	13.2%	1.5%	-0.6%
Professional & Business Services	2.3%	3.6%	1.9%
Educational & Health Services	9.8%	2.0%	2.9%
Leisure & Hospitality	8.6%	3.0%	2.6%
Other Services	1.5%	0.2%	1.9%
Government	2.9%	1.3%	2.1%

** The source for the 2006 and 2007 data is the Current Employment Statistics (CES) program. The source of the CES data differs from the primary source of data for this Economic Profile report, the Quarterly Census of Employment and Wage (QCEW) data, and information provided here may differ from the QCEW data released in the future for 2006 and 2007. Because the methodology behind the two data sources is different, the CES data is not commingled with the QCEW data in other sections of this report. This data was provided by the CES Unit at the LMID. The data used for the main report was summarized to match the definitions used in the CES data so that comparisons could be made regarding growth. For example, the CES data does not include the Private Households industry employment in the totals for the Other Services sector, as the Private Households industry only reports employment annually and data is not available for the CES monthly estimates.*

CALIFORNIA'S ECONOMIC BASE

The economic base is traditionally considered to be made up of export-oriented industries in the study area - industries that sell a large portion of their goods or services to people and businesses in markets outside of the area. While the past economic base reports have varied in how they defined the economic base, we have decided to use the more traditional definition for this section of the report. Other industries that are also important to the economy will be discussed in a later section.

The following sectors make up the economic base:

High Tech Manufacturing
Diversified Manufacturing
Wholesale Trade & Transportation
Professional, Business & Information Services
Tourism & Entertainment
Federal Government, Defense and Other Federal Government
Resource Based

The state's economic base industries provided just over 4,334,600 jobs in 2005, or almost 28% of all jobs in the state. From 2001 to 2005, the economic base industries reported overall job losses of 2.3%. Three of the seven sectors in the economic base reported job growth, while the other four reported job losses. Those reporting job growth, by number of jobs added, include Tourism & Entertainment (up almost 45,100 jobs, or 9.6%); Wholesale Trade & Transportation (up 33,300, jobs or 4.9%); and, Federal Government, Defense & Other Federal Government (up over 22,300 jobs, or 9.8%).

The Professional, Business & Information Services sector is the largest component of the state's economic base, with almost 1,561,800 jobs in 2005, although the sector reported job losses of about 18,900 jobs (-1.2%) from 2001 to 2005. The "top five" largest industries in this sector include Employment Services, with 427,700 jobs; Management of Companies & Enterprises, with almost 223,300 jobs; Computer Systems Design & Related Services, with 173,000 jobs; Architectural, Engineering & Related Services, with almost 165,800 jobs; and, Legal Services, with 139,300 jobs.

The second largest component of the economic base is Wholesale Trade & Transportation, reporting just over 719,600 jobs in 2005 and job growth of 33,300 jobs from 2001 to 2005. Third in employment size, Tourism & Entertainment reported almost 515,900 jobs in 2005, up almost 45,100 jobs from 2001. At the same time, High Tech Manufacturing and Diversified Manufacturing reported the greatest number of job losses from 2001 to 2005, of almost 98,900 jobs and almost 81,600 jobs respectively.

Figure 21 shows the distribution of the state's economic base jobs in 2005, and **Figure 22** shows changes in economic base employment from 2001 to 2005 for the state.

Figure 21 Economic Base Employment 2005

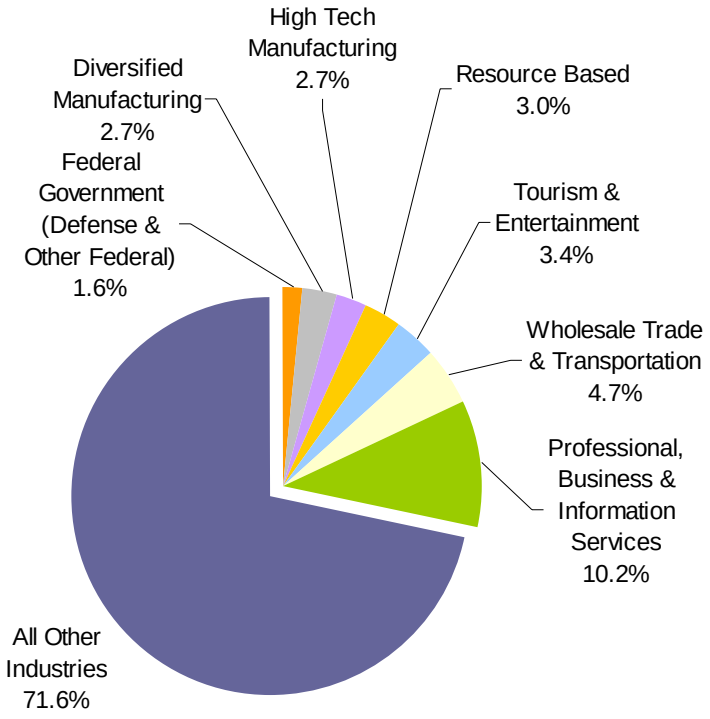
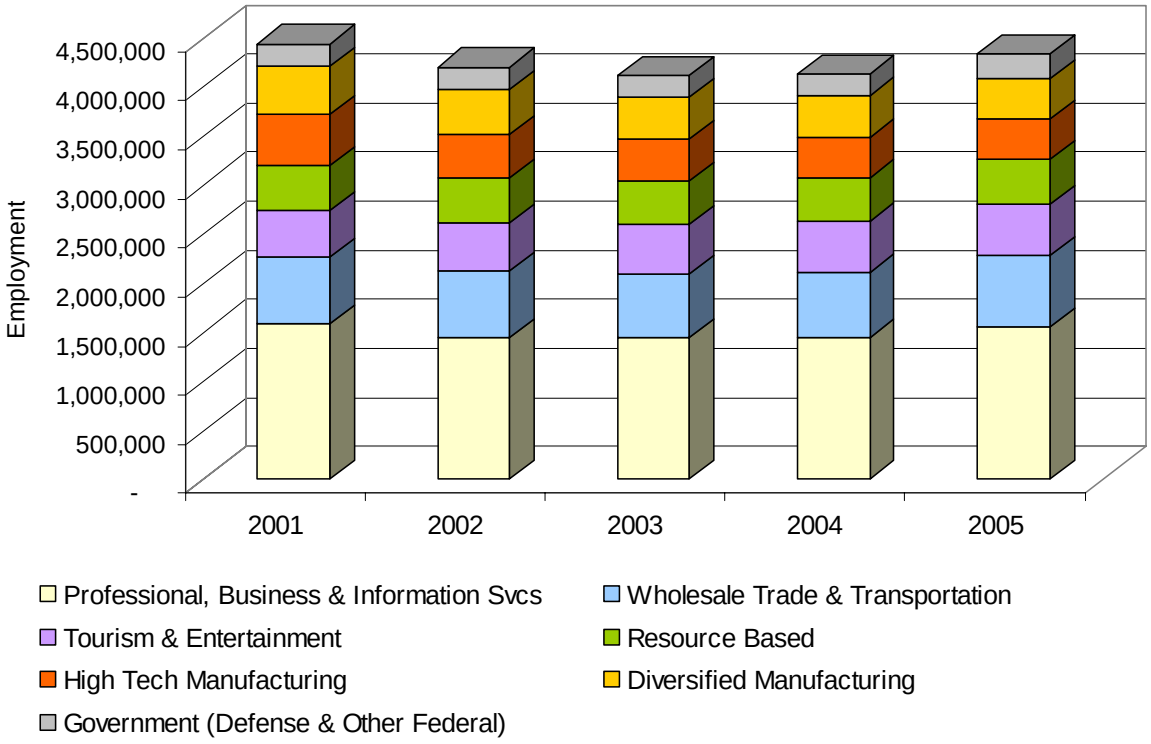
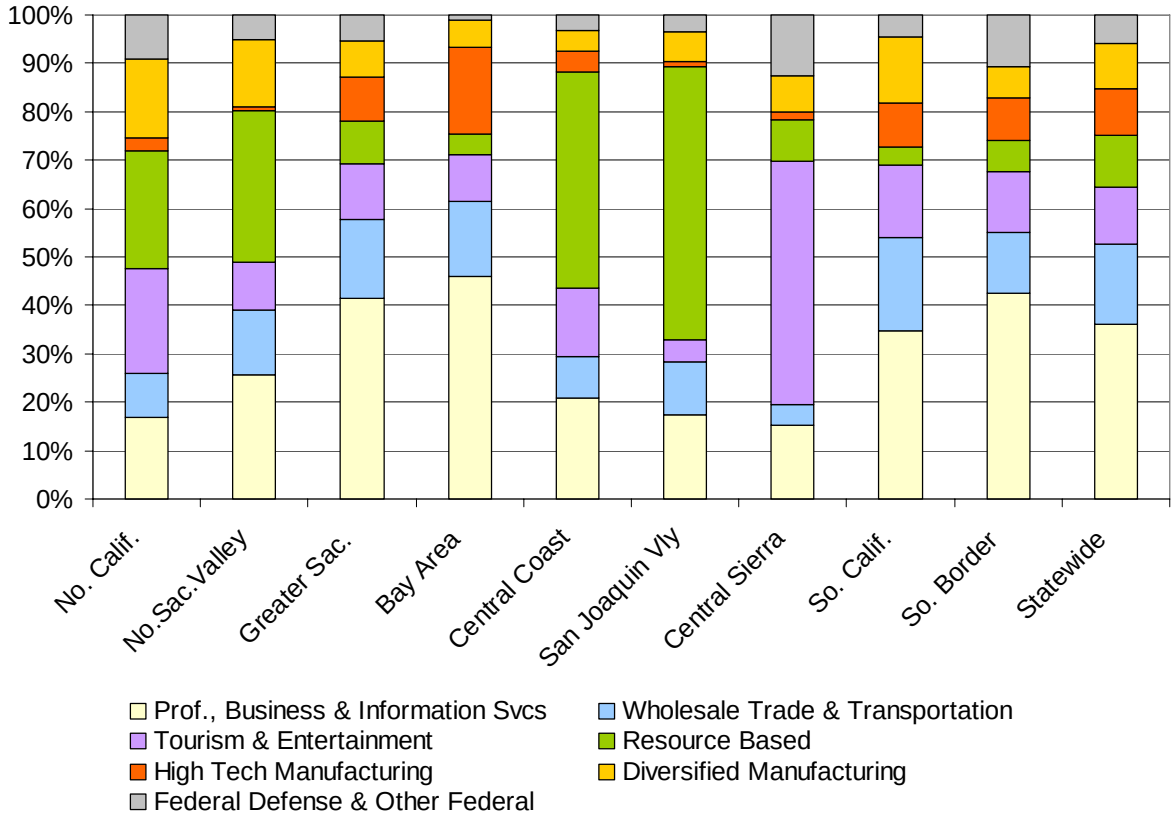


Figure 22 Economic Base Employment 2001-2005



Each region's economic base is unique in that the distribution of employment differs from region to region. **Figure 23** shows the composition of the economic base in 2005 for the nine regions and statewide, graphing the percentage of the economic base that each sector represents in each region and statewide.

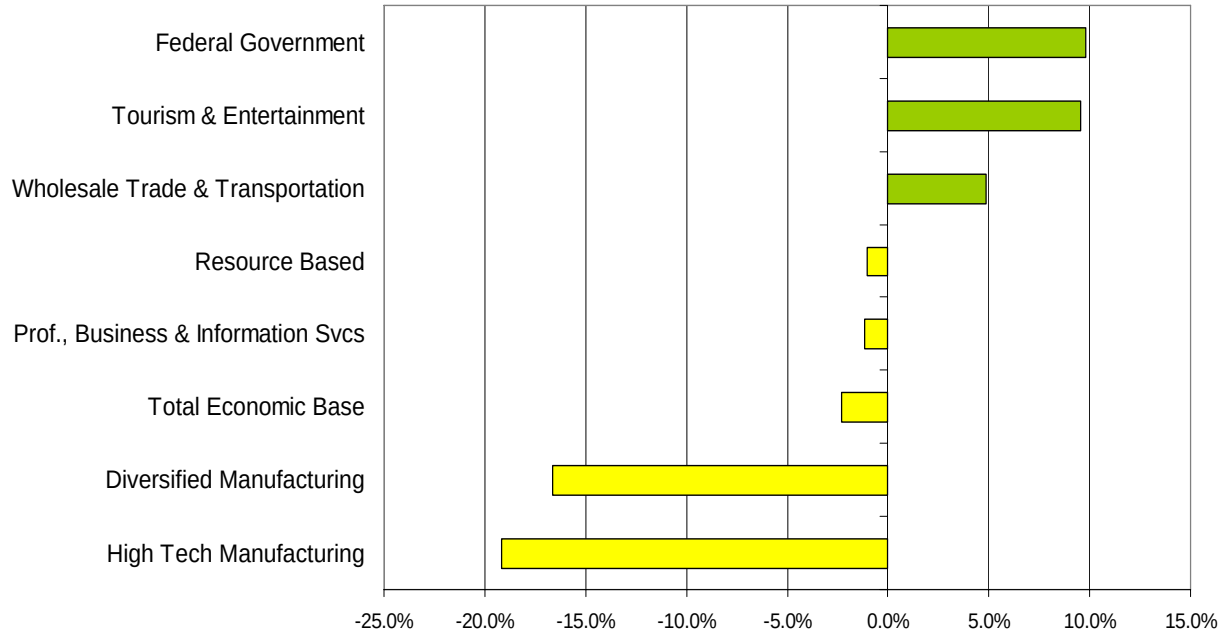
Figure 23 Composition of Economic Base for the Regions and Statewide



In addition to employment size, job growth is another important factor. For the period 2001 to 2005, Federal Government (Defense & Other Federal Government) reported the highest percentage of job growth, up 9.8%, followed closely by Tourism & Entertainment, up 9.6%. Professional, Business & Information Services grew by 4.9%. High Tech Manufacturing reported the greatest job losses for this period, in both number and percentage, down almost 98,900 jobs (-19.2 %),

Figure 24 shows job growth for each component of the economic base, from 2001 to 2005.

Figure 24 Job Growth 2001 - 2005



Size of Business

From 2001 to 2005, the percentage of economic base businesses with fewer than 100 employees increased only slightly, at 96.4% in 2001 and 96.7% in 2005. These businesses provided about 45% of the economic base employment in 2001, and 46% of the base employment in 2005. In contrast, only 3.3% of the private sector businesses in the economic base employ 100 or more workers, and these businesses provide 54% of the economic base's private sector jobs.

Figure 25 Distribution of Firms and Jobs in the Economic Base by Size of Business in 2005

Size Category (# employees)	% of Firms	% of Employment
0-4	57.0%	4.6%
5-9	15.9%	5.5%
10-19	11.2%	8.0%
20-49	8.9%	14.3%
50-99	3.7%	13.5%
100-249	2.3%	18.4%
250-499	0.7%	11.8%
500+	0.3%	9.6%

Businesses with fewer than 50 employees provided 32.5% of the (private) economic base jobs in 2005; in comparison, businesses with fewer than 50 employees provide 43.7% of all private industry jobs. Looking at the smallest firms, those with fewer than 10 employees provided 10.2% of the (private) economic base jobs.

Wholesale Trade & Transportation reported the highest percentage of small businesses, at 98.3%, followed by Professional, Business & Information Services, at 97.1%. High Tech

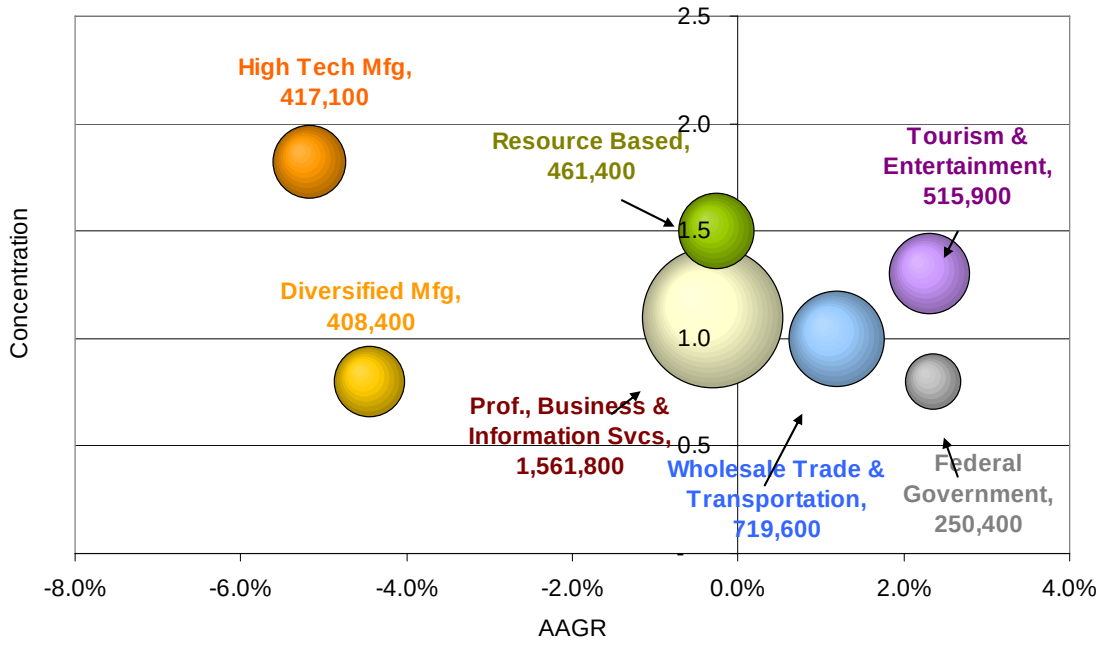
Manufacturing reported the lowest percentage, at 85.6%. The percentage of economic base firms with fewer than 100 employees and fewer than 50 employees, by industry sector, is included in **Figure 27**.

Figure 26 compares three key criteria for the state's economic base sectors; employment size, growth and concentration.

Interpreting the chart:

- Bubble size: The size of the bubble represents the employment size of the industry.
- Horizontal placement of bubble: The position from left to right indicates the employment change – to the left of zero means job losses, to the right means growth.
- Vertical placement of bubble: The vertical position indicates the concentration of the economic base jobs compared to the national level.
- Bubble color: The color representing a particular industry or cluster is consistent with those used in the regional economic base reports.

Figure 26 The Economic Base At-A-Glance 2001-2005



Highlights:

- Only three of the seven components of the economic base experienced job growth from 2001 to 2005, including Tourism & Entertainment, Federal Government, and Wholesales Trade & Transportation.
- California has a competitive advantage in High Tech Manufacturing, Resource Based, Tourism & Entertainment and Professional, Business & Information Services jobs.
- High Tech Manufacturing reported the highest percentage of job losses from 2001 to 2005, followed by Diversified Manufacturing.

Figure 27 provides a summary of facts for the economic base industries:

Figure 27 Economic Base

Sector	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
High Tech Manufacturing	417,100	-19.2%	1.8	$ 98,324	85.6%	75.2%
Diversified Manufacturing	408,400	-16.6%	0.8	$ 41,039	95.2%	89.5%
Wholesale Trade & Transportation	719,600	4.9%	1.0	$ 56,257	98.3%	95.6%
Professional, Business & Information Svcs	1,561,800	-1.2%	1.1	$ 66,592	97.1%	94.1%
Tourism & Entertainment	515,900	9.6%	1.3	$ 39,475	95.7%	90.1%
Federal Govt., Defense & Other Fed. Govt.	250,400	9.8%	0.8	$ 59,672	Not Available	Not Available
Resource Based	461,400	-0.2%	1.5	$ 26,614	95.1%	90.8%
Total Economic Base* **	**4,334,600**	**-2.3%**	**1.2**	**$ 57,514**	**96.7%**	**93.0%**

* Employment rounded to nearest 100. Total employment may not equal sum of sectors due to rounding.
** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.
*** The average annual wage and percentage of small businesses for the total economic base was calculated using only private industry wage and employment information.

The Base Multiplier

One method for estimating the impact of the basic sector upon the local economy is the Base Multiplier. The Base Multiplier can provide insight as to how many non-basic jobs (jobs created in those industries not considered a part of the economic base) are created by one economic base job. The base multiplier is calculated by dividing the total employment by the economic base employment for a given year.

The Base Multiplier factor for the state for 2001 through 2005 was:

Figure 28 Base Multiplier 2001 - 2005

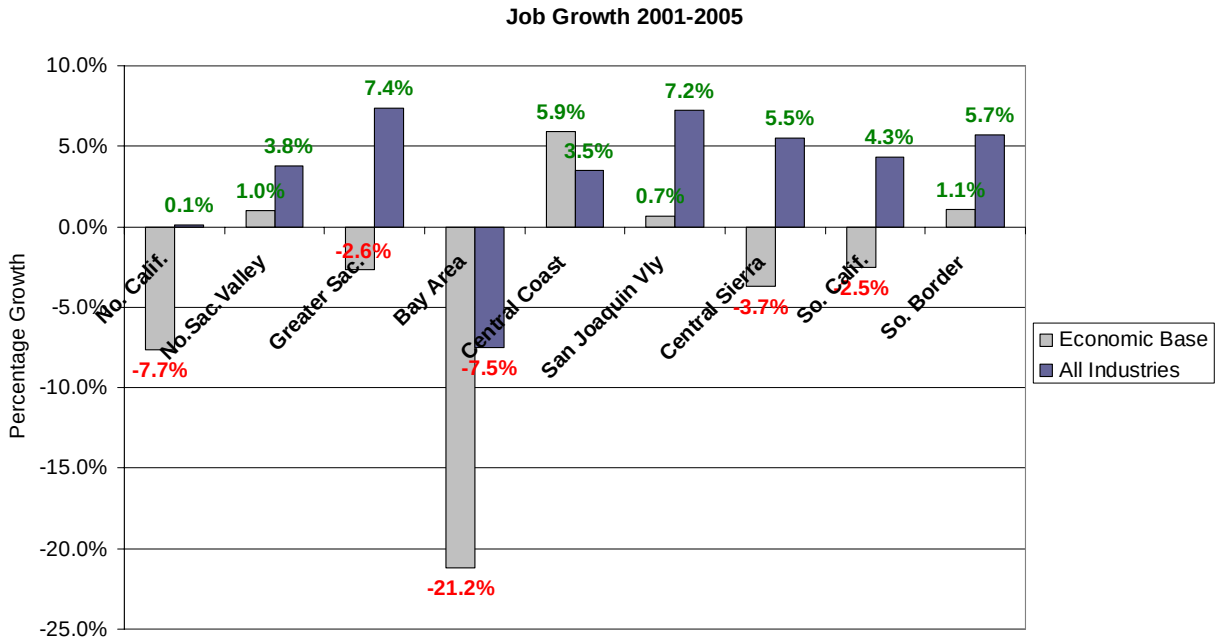
Year	2001	2002	2003	2004	2005
Base Multiplier	3.31	3.45	3.53	3.56	3.52

This suggests that 3.3 jobs were created in non-basic industries for every economic base job created in 2001. This has increased to about 3.5 jobs created in non-basic industries for every base job created in 2005.

Regional Comparison: Economic Base Job Growth

Economic base job growth varied by region, and did not always correspond with the overall job growth in the region. Four regions experienced growth in economic base jobs from 2001 to 2005, while the other five reported losses. At the same time, eight regions reported overall job growth; only the Bay Area Region reported overall job losses for the period. **Figure 25** compares the economic base job growth by region, and also compares this with overall job growth by region.

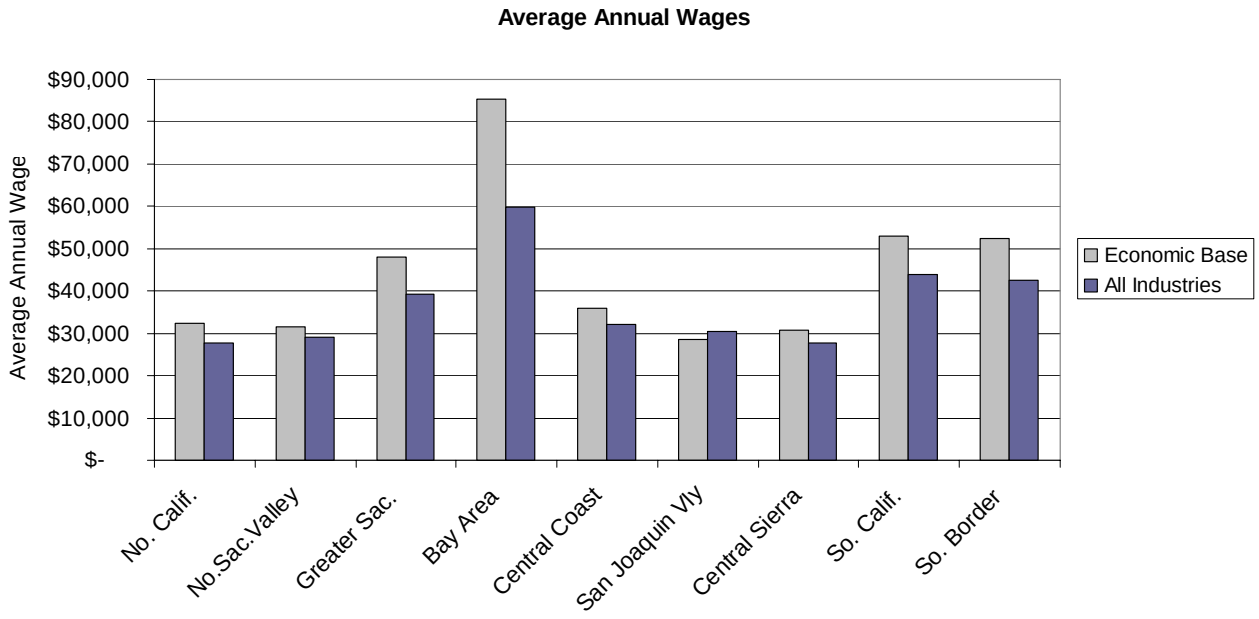
Figure 29 Economic Base and Overall Job Growth by Region



Regional Comparison: Average Annual Wages

In eight of the nine regions, the average annual wage for economic base jobs was higher than the overall average wage for all industries in the region. Only the San Joaquin Valley Region reported a lower average wage for its economic base jobs, many of which are lower-paying Farm jobs.

Figure 30 Average Annual Wages by Region for Economic Base Jobs vs. All Industries



The following provides a more in-depth look at each component of the economic base.

HIGH TECH MANUFACTURING

The High Tech Manufacturing component of the economic base includes Computer & Peripheral Equipment Manufacturing; Communications Equipment Manufacturing; Semiconductor & Other Electronic Component Manufacturing; Navigational, Measuring, Electromedical and Control Instruments Manufacturing; Aerospace Product & Parts Manufacturing; and, Pharmaceutical & Medicine Manufacturing. In 2005, this sector provided about 417,100 jobs.

Overall, this sector reported significant job losses of almost 98,900 jobs, down 19.2% from 2001 to 2005. All but one industry within this sector reported job losses during this period; only Pharmaceutical & Medicine Manufacturing reported job gains, up 3,200 jobs (8.4%). The sector's decline in employment was led by losses in the Semiconductor & Other Electronic Component Manufacturing sub-sector, down almost 39,400 jobs, or 26.6%. Losses were also reported in Computer & Peripheral Equipment Manufacturing, down almost 24,800 jobs, or 29.6%; Communications Equipment Manufacturing, down 14,600 jobs or 34.6%; Aerospace Product & Parts Manufacturing, down 12,400 jobs or 14.6%; and, Navigational, Measuring, Electromedical and Control Instruments Manufacturing, down 10,900 jobs or 9.2%.

Within High Tech Manufacturing, most of the jobs are found in Semiconductor & Other Electronic Component Mfg (108,800 jobs in 2005), and Navigational, Measuring, Electromedical and Control Instruments Mfg (107,200 jobs). The state has a higher concentration[7] of jobs in this sector than found at the national level.

In 2005, the average annual wage for High Tech Manufacturing was $98,324, which is the highest average of all of the economic base sectors. At the sub-sector level, average annual wages ranged from a high of $134,917 reported by Computer & Peripheral Equipment Manufacturing**,** to a low of $77,737 reported by Aerospace Product & Parts Manufacturing**.**

Figure 31 shows the 2005 employment and average annual wages for the High Tech Manufacturing industries.

[7] For the statewide report, the concentration, or Location Quotient (LQ), compares the percentage of the state's jobs found in an industry to the percentage found in that industry at the national level. This differs from the regional reports, where the regional concentrations are compared to the statewide levels.

Figure 31 High Tech Manufacturing 2005 Employment & Average Wages

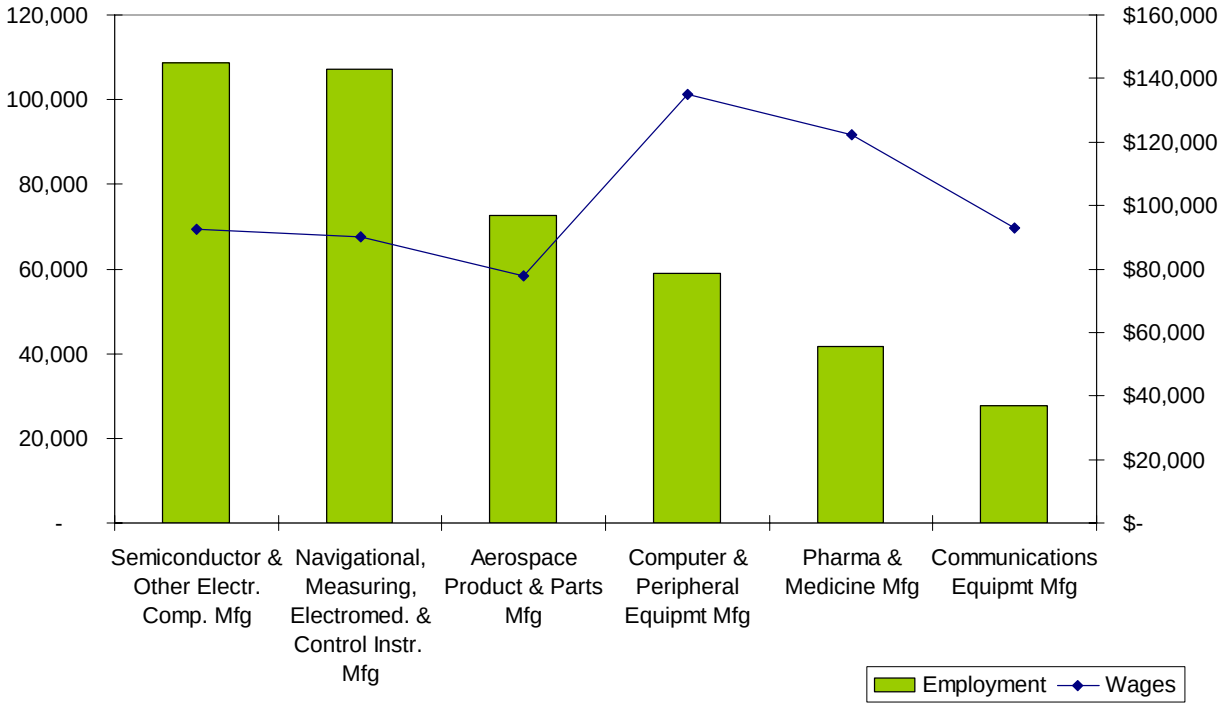


Figure 32 shows employment change from 2001 to 2005 for the industries in High Tech Manufacturing.

Figure 32 High Tech Manufacturing Industries Employment 2001-2005

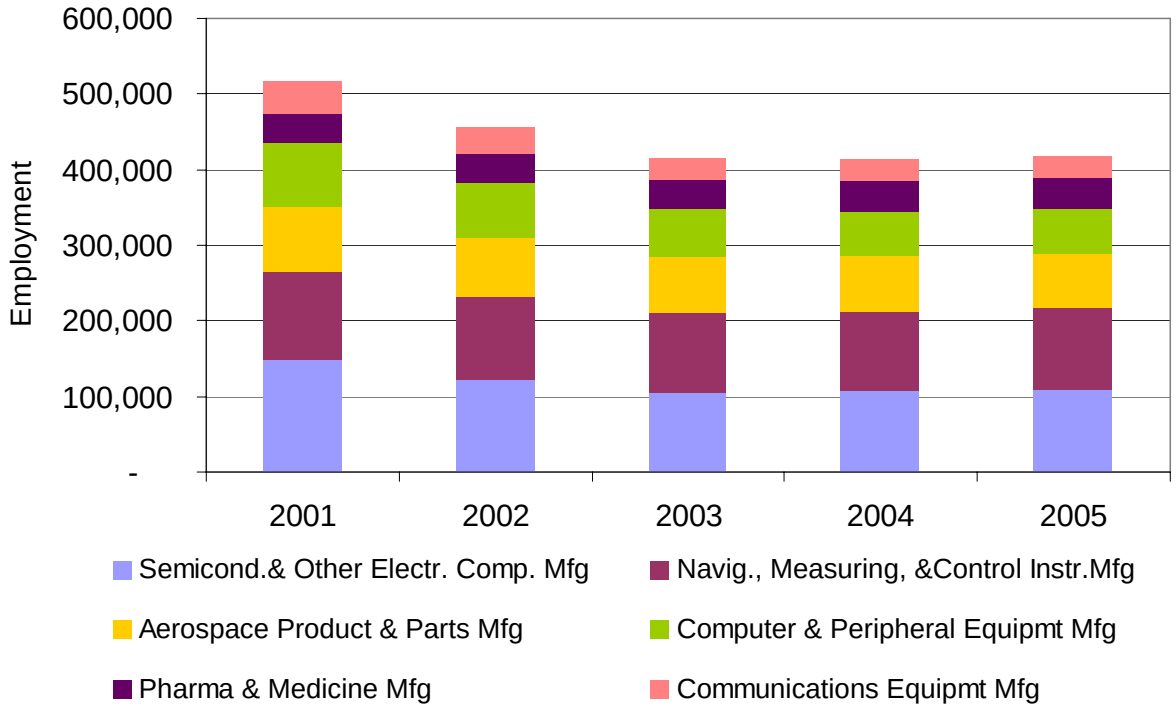


Figure 33 provides a summary of economic facts for the High Tech Manufacturing sector.

Figure 33 High Tech Manufacturing

NAICS	Industry	2005 Employmt*	Growth 01- 05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
3341	Computer & Peripheral Equipmt Mfg	59,000	-29.6%	2.5	$ 134,917	84.1%	76.4%
3342	Communications Equipment Mfg	27,600	-34.6%	1.6	$ 92,713	86.7%	74.8%
3344	Semiconductor & Other Electronic Component Mfg	108,800	-26.6%	2.1	$ 92,679	86.1%	75.1%
3345	Navig., Measuring, Electromedical, & Control Instruments Mfg	107,200	-9.2%	2.1	$ 90,015	87.1%	77.0%
3364	Aerospace Product & Parts Mfg	72,700	-14.6%	1.4	$ 77,737	82.8%	72.7%
3254	Pharmaceutical & Medicine Mfg	41,700	8.4%	1.2	$ 122,205	82.9%	72.5%

* Employment rounded to nearest 100.

** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

DIVERSIFIED MANUFACTURING

The Diversified Manufacturing component of the economic base includes Wood Product Manufacturing, Paper Manufacturing, Printing & Related Support Activities, Furniture & Related Product Manufacturing, Medical Equipment & Supplies Manufacturing, Apparel Manufacturing, Chemical Manufacturing (except Pharma), and Plastics & Rubber Products Manufacturing. In 2005, this sector provided over 408,400 jobs, and was the smallest private industry component of the state's economic base.

Overall, this sector reported job losses of 16.6% from 2001 to 2005. The greatest percentage of job losses was in Apparel Manufacturing, down 25%; this sub-sector also reported the greatest number of jobs lost, down almost 26,300 jobs. All Diversified Manufacturing sub-sectors reported job losses during this period.

Within Diversified Manufacturing, the most employment is found in Apparel Manufacturing, followed by Furniture & Related Product Manufacturing and Printing & Related Support Activities. The state has a higher concentration of jobs in Apparel Manufacturing (2.6 LQ) and Medical Equipment & Supplies Manufacturing (1.4 LQ) than found at the national level.

In 2005, the average annual wage for this sector was $41,039. At the sub-sector level, this ranged from a high of $63,464 in Medical Equipment & Supplies Manufacturing, to a low of $27,282 in Apparel Manufacturing.

The 2005 average annual wage and employment are shown in **Figure 34**.

Figure 34 Diversified Manufacturing 2005 Employment & Average Wages

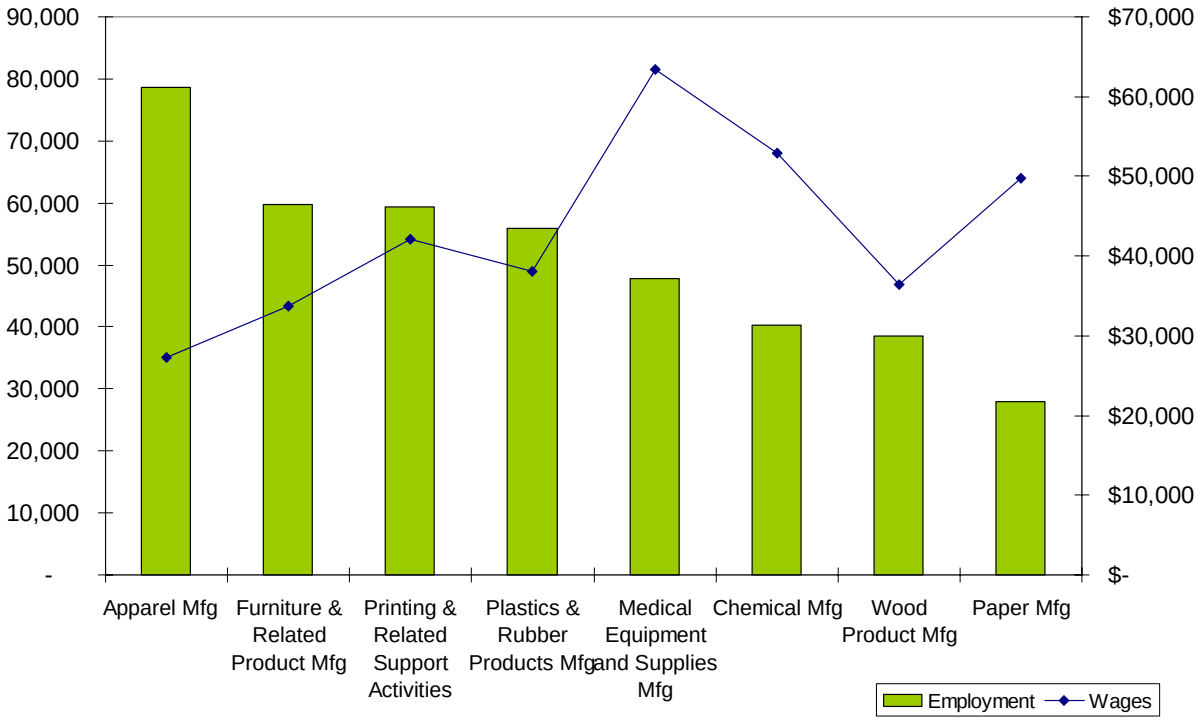


Figure 35 shows employment change from 2001 to 2005 for the industries in Diversified Manufacturing.

Figure 35 Diversified Manufacturing Industries Employment 2001-2005

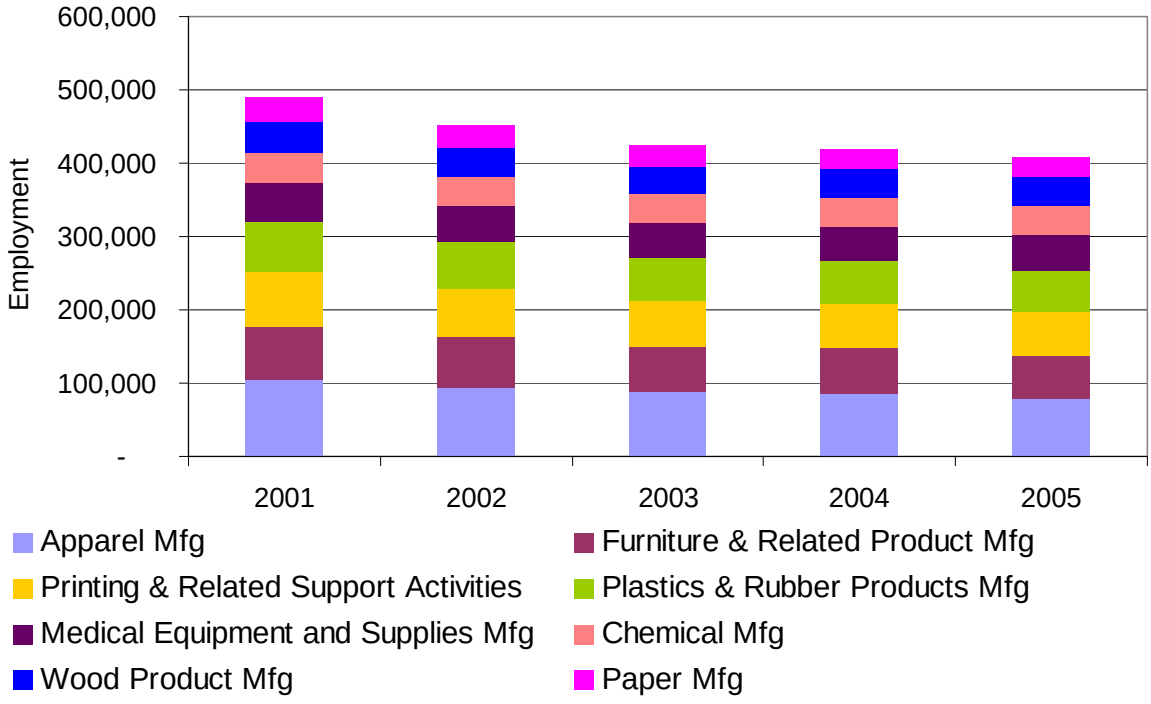


Figure 36 provides a summary of economic facts for the Diversified Manufacturing sector.

Figure 36 Diversified Manufacturing

NAICS	Sub-sector	2005 Empl*	Growth 01- 05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
321	Wood Product Manufacturing	38,600	-8.1%	0.6	$ 36,482	92.0%	83.2%
322	Paper Manufacturing	28,000	-16.0%	0.5	$ 49,754	83.3%	69.3%
323	Printing & Relat. Support Activities	59,400	-21.2%	0.8	$ 42,079	97.8%	94.2%
337	Furniture & Related Product Mfg	59,800	-17.6%	0.9	$ 33,772	89.9%	90.6%
3391	Medical Equipmt & Supplies Mfg	47,800	-5.3%	1.4	$ 63,464	95.9%	91.6%
315	Apparel Manufacturing	78,600	-25.0%	2.6	$ 27,282	97.1%	92.9%
325-3254	Chemical Mfg (except Pharma)	40,300	-5.0%	0.6	$ 52,968	94.6%	85.8%
326	Plastics & Rubber Products Mfg	56,000	-18.8%	0.6	$ 38,103	93.9%	78.0%

* Employment rounded to nearest 100.

** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

WHOLESALE TRADE & TRANSPORTATION

The Wholesale Trade & Transportation sector includes Merchant Wholesalers, Durable Goods; Merchant Wholesalers, Nondurable Goods; Wholesale Electronic Markets & Agents & Brokers; and, Air Transportation. In 2005, Wholesale Trade & Transportation was the second largest component of the economic base, providing just over 719,600 jobs.

Overall, Wholesale Trade & Transportation reported job growth of almost 5% from 2001 to 2005. Two of the four sub-sectors reported growth; Wholesale Electronic Markets & Agents & Brokers and Merchant Wholesalers, Nondurable Goods. Wholesale Electronic Markets & Agents & Brokers reporting the greatest percentage growth at 68.6%, and also the greatest number of jobs gained at almost 37,100 jobs.

Within Wholesale Trade & Transportation, most of the jobs are found in Merchant Wholesalers, Durable Goods (343,200 jobs in 2005) and Merchant Wholesalers, Nondurable Goods (237,600 jobs). Looking further, Merchant Wholesalers, Durable Goods is led by Professional & Commercial Equipment & Supplies Merchant Wholesalers. Merchant Wholesalers, Nondurable Goods is led by Grocery and Related Product Wholesalers.

Overall, the state's concentration of jobs in Wholesale Trade & Transportation is the same as found at the national level. Within this sector, several industries have a higher concentration than at the national level, including Apparel, Piece Goods & Notions Merchant Wholesalers (1.6 LQ) and Furniture & Home Furnishing Merchant Wholesalers (1.5 LQ).

In 2005, the average annual wage for this sector was $56,257. This ranged from a high of $60,252 for Merchant Wholesalers, Durable Goods jobs, to a low of $50,171 for Merchant Wholesalers, Nondurable Goods jobs. **Figure 37** shows employment and average annual wages for all of the sub-sectors.

Figure 37 Wholesale Trade & Transportation 2005 Employment & Average Wages

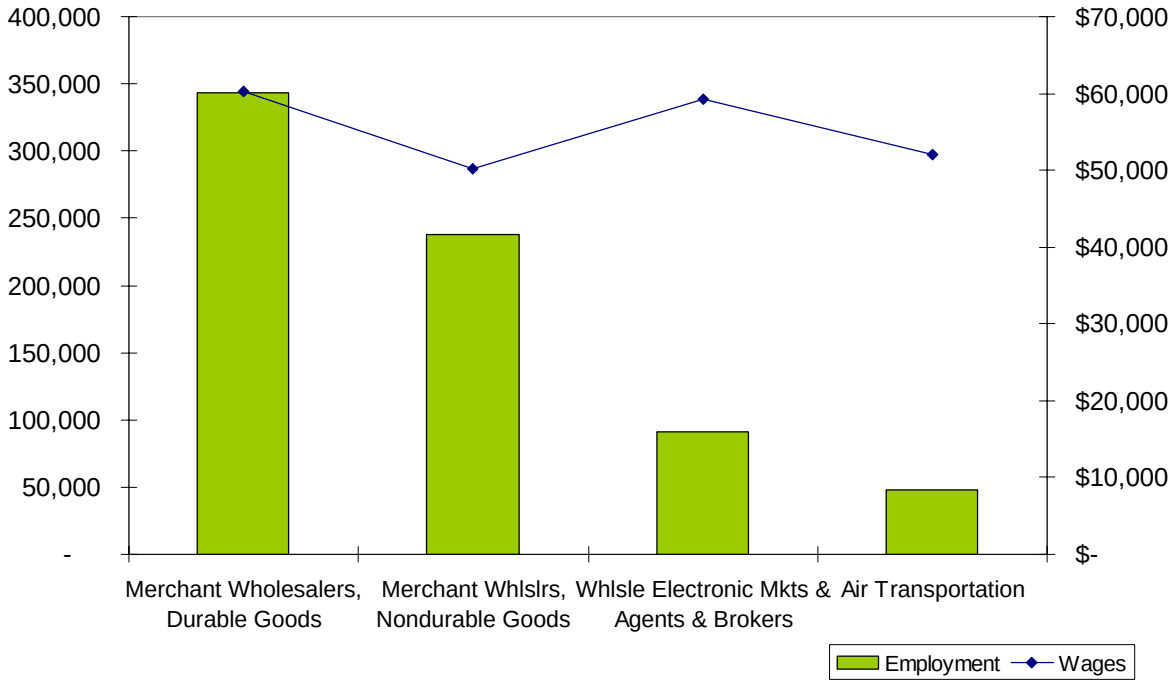


Figure 38 shows employment change from 2001 to 2005 for the industries in Wholesale Trade & Transportation.

Figure 38 Wholesale Trade & Transportation Industries Employment 2001-2005

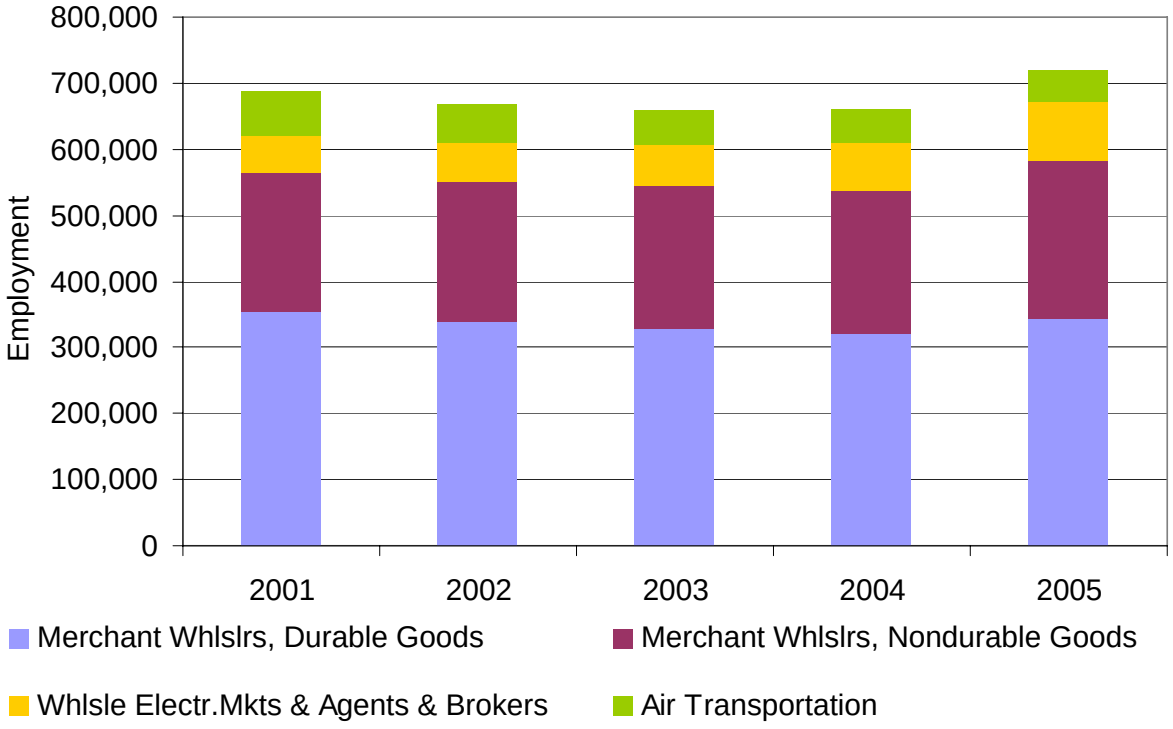


Figure 39 provides a summary of economic facts for the Wholesale Trade & Transportation sector.

Figure 39 Wholesale Trade & Transportation

NAICS	Sub-sector	2005 Empl*	Growth 01- 05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
423	Merchant Whlslrs, Durable Goods	343,200	-2.9%	1.0	$ 60,252	98.2%	95.0%
424	Merchant Whlslrs, Nondurable Goods	237,600	12.4%	1.0	$ 50,171	97.9%	94.7%
425	Whlsle Electr. Mkts, Agents, Brokers	91,200	68.6%	1.1	$ 59,252	99.5%	98.4%
481	Air Transportation	47,600	-29.5%	0.8	$ 52,096	88.6%	88.6%

* Employment rounded to nearest 100.

** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

PROFESSIONAL, BUSINESS & INFORMATION SERVICES

The Professional, Business & Information Services sector includes Legal Services; Accounting, Tax Preparation, Bookkeeping and Payroll Services; Architectural, Engineering and Related Services; Computer Systems Design and Related Services; Management, Scientific and Technical Consulting Services; Scientific Research and Development Services; Management of Companies and Enterprises; Employment Services; Software Publishers; Internet Service Providers and Web Search Portals; and, Data Processing, Hosting and Related Services. In 2005, this sector was the largest component of the economic base, and provided almost 1,561,800 jobs.

Overall, this sector reported job losses of 1.2% from 2001 to 2005. Five sub-sectors reported job gains during this period, while six sub-sectors reported job losses. The sub-sector reporting the greatest percentage of growth, as well as the greatest number of jobs gained (up almost 44,600 jobs), was Management, Scientific & Technical Consulting Services, up 48.6%.

Within Professional, Business & Information Services, most of the jobs are found in Employment Services (led by Temporary Help Services), followed by Management of Companies & Enterprises (led by Corporate, Subsidiary & Regional Managing Offices).

The state has a higher concentration of jobs in most Professional, Business & Information Services industries than found at the national level. Concentration is highest in Internet Service Providers & Web Search Portals, with a 2.2 concentration level.

In 2005, the average annual wage for the sector was $66,592; Internet Service Providers & Web Search Portals reported the highest average of $168,302, followed by Software Publishers with an average annual wage of $123,791. Employment Services reported the lowest average wage of $26,543. **Figure 40** shows employment and average annual wages for all of the sub-sectors.

Figure 40 Professional, Business & Information Services 2005 Employment & Wages

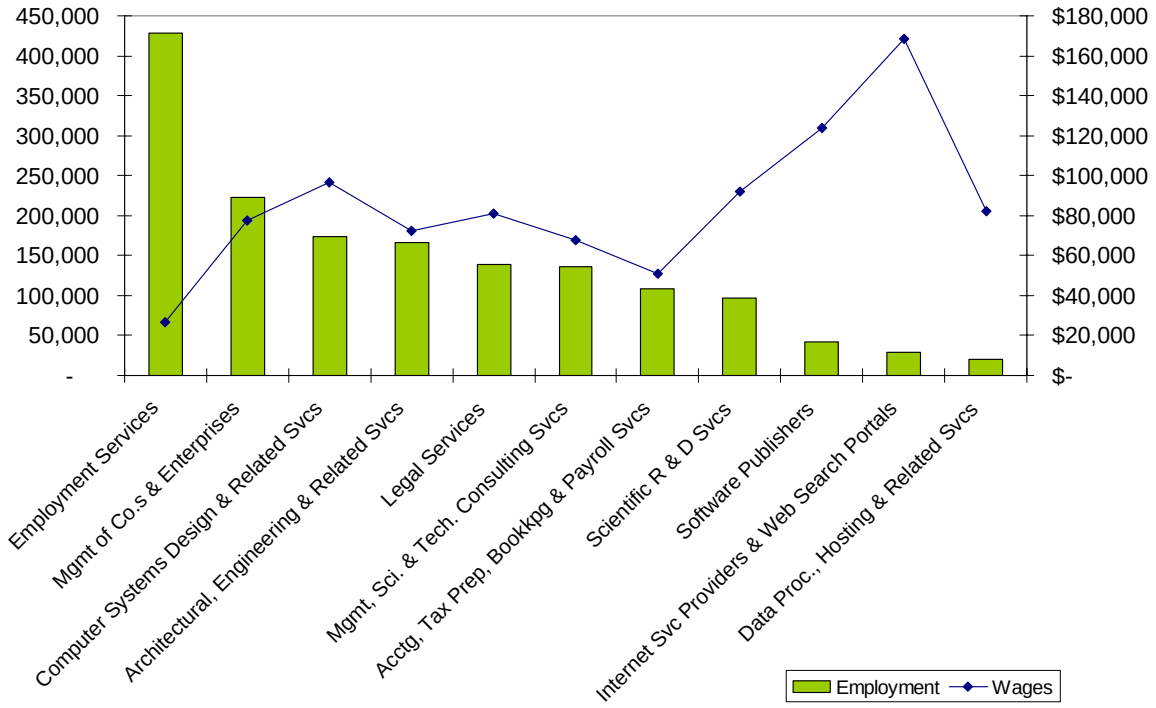


Figure 41 shows employment change from 2001 to 2005 for the industries in Professional, Business & Information Services.

Figure 41 Professional, Business & Info Svcs Industries Employment 2001-2005

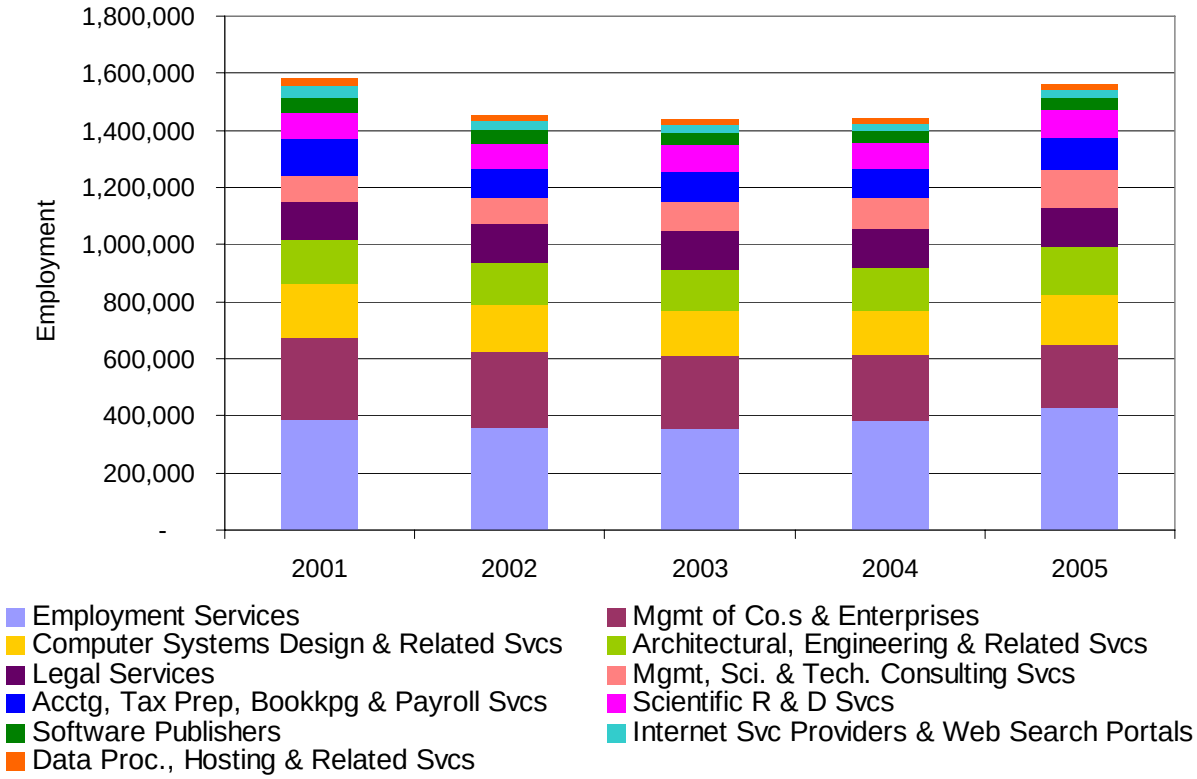


Figure 42 provides a summary of economic facts for the Professional, Business & Information Services sector.

Figure 42 Professional, Business & Information Services

NAICS	Industry	2005 Empl*	Growth 01- 05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
5411	Legal Services	139,298	6.2%	1.0	$ 81,259	99.2%	97.8%
5412	Accounting, Tax Prep, Bookkpg & Payroll Svcs	109,240	-16.3%	1.1	$ 51,125	99.1%	98.3%
5413	Architectural, Engineering & Related Svcs	165,751	8.7%	1.1	$ 72,199	98.4%	95.4%
5415	Computer Systems Design Svcs	172,999	-8.5%	1.2	$ 96,457	98.2%	96.1%
5416	Mgmt, Scientific & Tech.Consult.Svcs	136,348	48.6%	1.4	$ 67,474	99.1%	98.0%
5417	Scientific R & D Svcs	96,476	6.1%	1.5	$ 92,197	94.1%	88.1%
5511	Mgmt of Co.s & Enterprises	223,259	-22.4%	1.1	$ 77,574	87.0%	75.1%
5613	Employment Svcs	427,704	10.3%	1.0	$ 26,543	79.1%	79.1%
5112	Software Publishers	41,300	-21.6%	1.5	$123,791	93.4%	86.9%
5181	Internet Svc Providers & Web Search Portals	29,026	-35.3%	2.2	$168,308	95.8%	92.4%
5182	Data Processing, Hosting, Related Svcs	20,386	-5.6%	0.7	$ 82,425	97.4%	93.5%

* Employment rounded to nearest 100.

** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

TOURISM & ENTERTAINMENT

The Tourism & Entertainment sector includes Motion Picture & Video Industries; Sound Recording Industries; Amusement, Gambling & Recreation Industries; and, Accommodation. In 2005, this sector provided almost 515,900 jobs, and was the third largest component of the economic base.

Overall, this sector reported job growth of 9.6% from 2001 to 2005. Three of the four sub-sectors/industry groups reported growth during this period. This growth was led by Motion Picture & Video Industries, adding almost 31,300 jobs for an increase of just over 27%. The Amusement, Gambling, & Recreation Industries and Accommodation sub-sectors also reported job gains during this period. Only the Sound Recording Industries reported job losses, which were significant at -42.5%.

Within Tourism & Entertainment, the largest sub-sector is Accommodation (led by Hotels & Motels), followed closely by both Amusement, Gambling & Recreation Industries and Motion Picture & Video Industries. Within Amusement, Gambling & Recreation Industries, most of the jobs are found in Fitness & Recreational Sport Centers, followed by Golf Courses & Country Clubs, and Amusement & Theme Parks. Within the Motion Picture & Video Industries industry group, by far the largest industry is Motion Picture & Video Production.
The state has a higher concentration of Tourism & Entertainment jobs than found nationally. At the sub-sector/industry group level, both Motion Picture & Video Industries (3.6 LQ) and Sound Recording Industries (2.0 LQ) have high concentrations, reflecting the state's strong competitive advantage in these areas.
In 2005, the average annual wage reported for Tourism & Entertainment jobs was $39,475. This ranged from a high of $79,259 for Sound Recording Industries, to a low of $21,115 for

Amusement, Gambling & Recreation Industries. **Figure 43** shows employment and average annual wages for all of the sub-sectors.

Figure 43 Tourism & Entertainment 2005 Employment & Wages

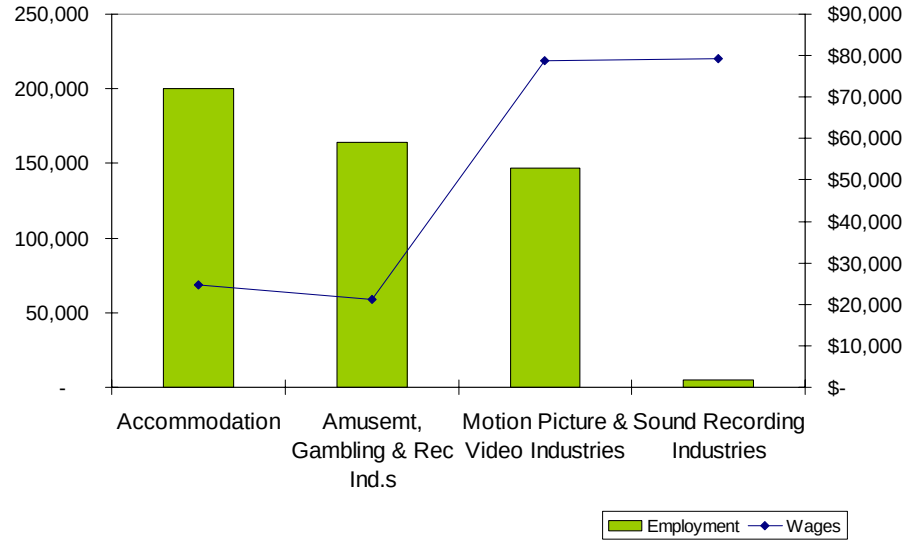


Figure 44 shows employment change from 2001 to 2005 for the industries in Tourism & Entertainment.

Figure 44 Tourism & Entertainment Industries Employment 2001-2005

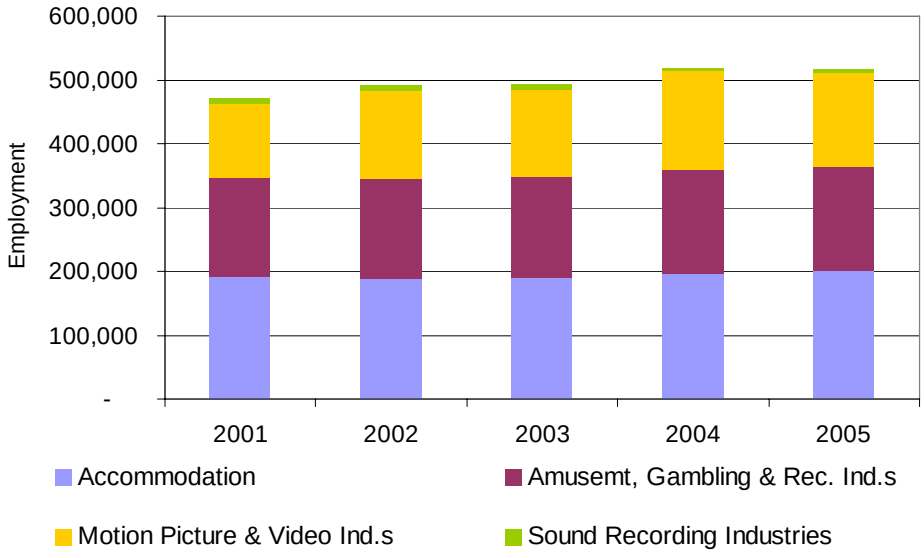


Figure 45 provides a summary of economic facts for the Tourism & Entertainment sector.

Figure 45 Tourism & Entertainment

NAICS	Sub-sector/Industry	2005 Empl*	Growth 01- 05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
5121	Motion Picture & Video Industries	146,700	27.1%	3.6	$ 78,767	98.1%	95.4%
5122	Sound Recording Industries	4,800	-42.5%	2.0	$ 79,259	98.9%	98.9%
713	Amusement, Gambling & Rec. Ind.s	163,900	6.0%	1.0	$ 21,115	95.7%	85.8%
721	Accommodation	200,500	4.2%	1.0	$ 24,783	92.8%	87.9%

* Employment rounded to nearest 100.

** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

RESOURCE BASED

The Resource Based sector includes Farm[8], Logging, Mining, Sawmill & Woodworking Machinery Manufacturing, Fruit & Vegetable Preserving & Specialty Food Manufacturing, Animal Slaughtering & Processing and Seafood Preparation & Packaging[9]. This is the fourth largest component of the state's economic base, with 461,400 jobs in 2005.

The sector reported job losses of 1% from 2001 to 2005, down about 4,900 jobs. At the sub-sector/industry group level, only Animal Slaughtering & Processing (up just over 600 jobs, or 3.1%) and Farm (up almost 600 jobs, or 0.2%) reported growth. The most jobs were lost in the Fruit & Vegetable Preserving & Specialty Food Manufacturing industry group, led by losses in the Fruit & Vegetable Canning, Pickling, & Drying industry.

There is higher concentration of Resource Based jobs in the state than at the national level, with an overall concentration of 1.5. Within this sector, Farm jobs have the highest concentration (2.7 LQ), followed by Fruit & Vegetable Preserving & Specialty Food Manufacturing (1.7 LQ).

In 2005, the average annual wage reported for this sector was $22,613. This ranged from a high of $89,221 for Mining, to a low of $21,457 for Farm jobs.

Figure 46 shows employment and average annual wages for the Resource Based industries.

[8] Farm equals all Agriculture, Forestry, Fishing & Hunting jobs (NAICS 11) except Logging (NAICS 1133).

[9] There was no employment reported for Sawmill & Woodworking Machinery Manufacturing or for Seafood Preparation & Packaging for the San Joaquin Valley Region. These industries are mentioned here so that the economic base definition is consistent across regions.

Figure 46 Resource Based 2005 Employment & Wages

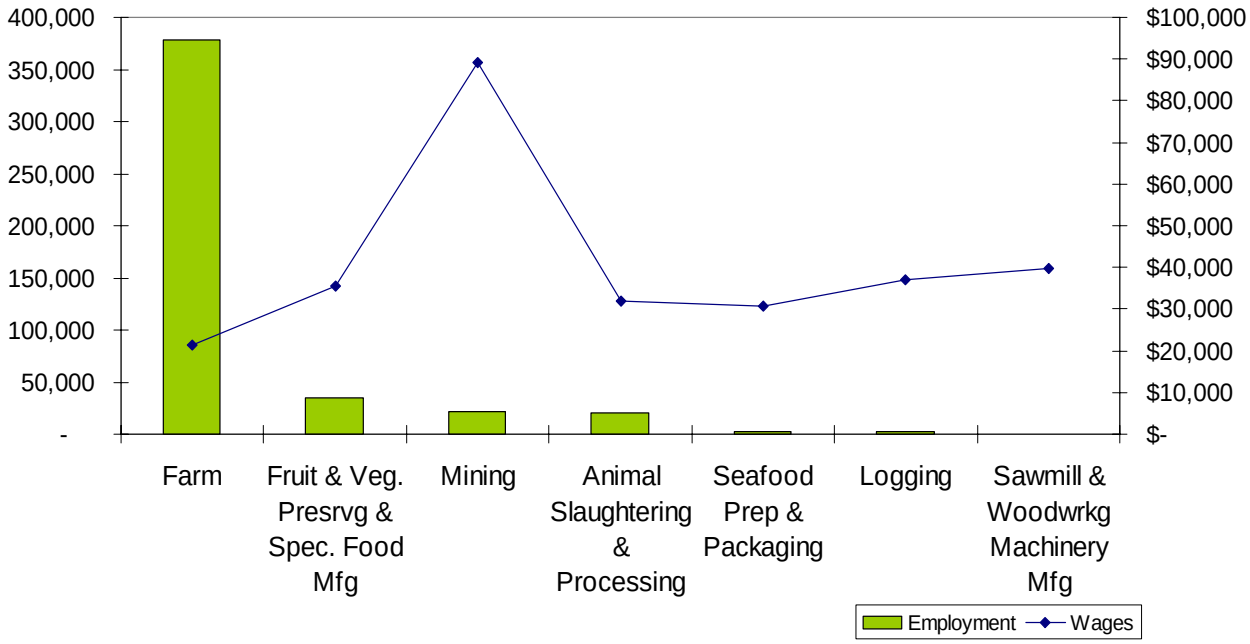


Figure 47 shows employment change from 2001 to 2005 for the Resource Based industries.

Figure 47 Resource Based Industries Employment 2001-2005

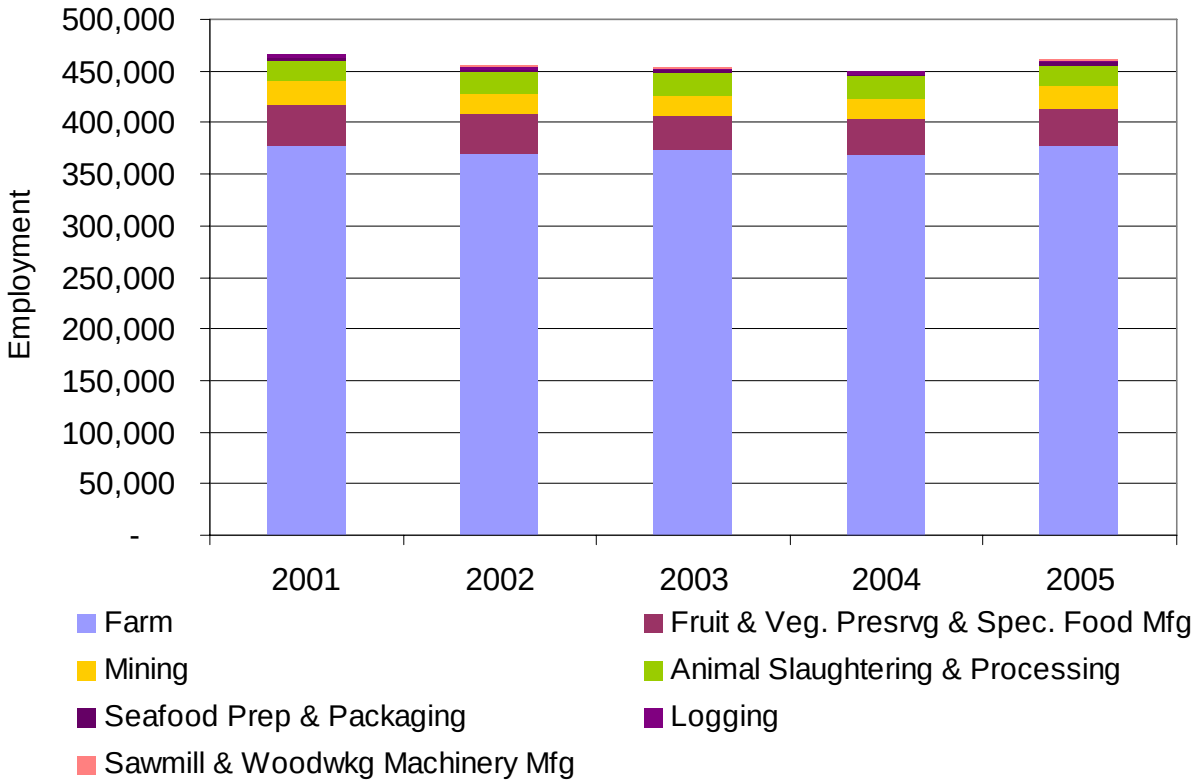


Figure 48 provides a summary of economic facts for the Resource Based industries.

Figure 48 Resource Based

NAICS	Sub-sector/Industry	2005 Empl*	Growth 01- 05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
11-1133	Farm	378,300	0.2%	2.7	$ 21,457	95.7%	91.7%
1133	Logging	2,300	-21.9%	0.3	$ 37,194	99.7%	98.1%
21	Mining	22,100	-3.3%	0.3	$ 89,221	93.5%	87.3%
33321	Sawmill & Woodworking Machinery Mfg	500	-14.2%	0.5	$ 39,697	Not Available	Not Available
3114	Fruit & Veg. Preserv. & Spec.Food Mfg	35,000	-10.6%	1.7	$ 35,672	68.9%	56.6%
3116	Animal Slaughtering & Processing	20,700	3.1%	0.4	$ 31,933	84.3%	73.7%
3117	Seafood Product Prep & Packaging	2,500	-15.8%	0.5	$ 30,635	85.7%	73.2%

* Employment rounded to nearest 100.

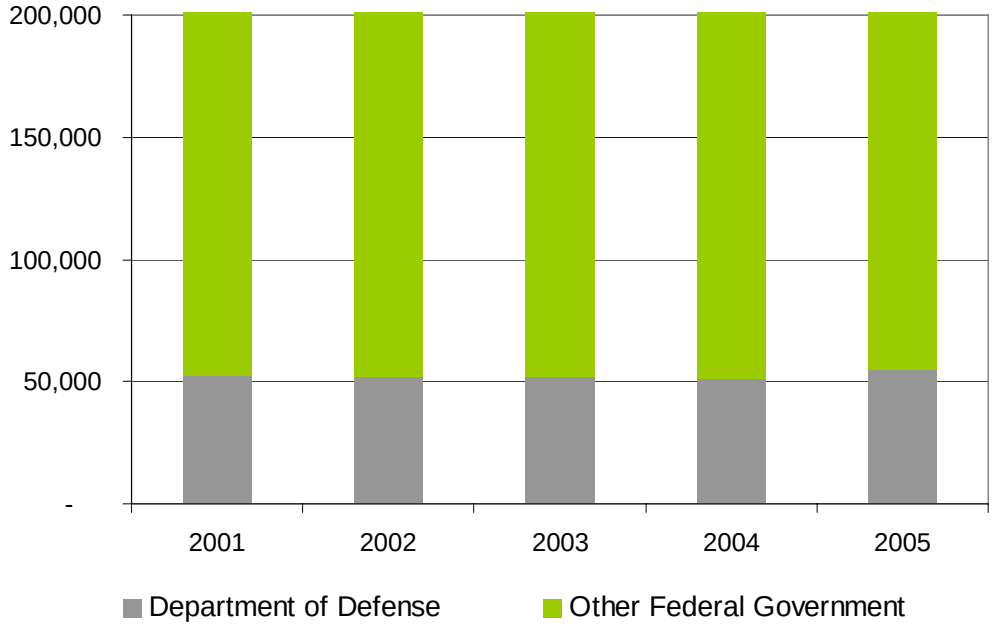
** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

FEDERAL GOVERNMENT, DEFENSE AND OTHER FEDERAL GOVERNMENT

The Federal Government sector in the economic base includes Defense and Other Federal Government. In 2005, this sector provided 250,400 jobs, or 5.8% of all economic base jobs, and 1.6% of all jobs in the state.

This sector experienced job growth of 22,300 jobs from 2001 to 2005, up 9.8%. During this period, Defense reported job growth of 2,340 (up 4.5%), and Other Federal Government reported job growth of 19,960 (up 11.4%).

Figure 49 Defense and Other Federal Government Employment 2001 to 2005



The state has a lower concentration of Federal Government jobs (0.8 LQ) than found at the national level. Separate employment totals for Defense or Other Federal Government were not available, so we are presenting the concentration for all federal jobs.

In 2005, the average annual wage for all federal jobs was $59,672. A separate average for Defense or Other Federal Government was not available, so we are presenting the average for all federal jobs.

Figure 50 provides a summary of economic facts for Government, Defense and Other Federal Government.

Figure 50 Government, Defense and Other Federal Government

Sub-sector	2005 Employmt*	Growth 01- 05	2005 LQ**	2005 Avg. Annual Wages***
Defense	54,600	4.5%	0.8	$59,672
Other Federal Government	195,800	11.4%	0.8	$59,672

* Employment rounded to nearest 100.

** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level. Separate employment totals for Defense or Other Federal Government were not available, so we are presenting the concentration for all federal jobs.

*** A separate average for Defense or Other Federal Government was not available, so we are presenting the average for all federal jobs.

BEYOND THE ECONOMIC BASE: A LOOK AT INDUSTRY CLUSTERS AND OTHER INDUSTRIES IMPORTANT TO THE REGION'S ECONOMY

This section looks at industry clusters and sectors that are important to the economy, but are not included in the traditional definition of the economic base. Their inclusion here reflects the broader interpretation of the economic base seen in some of the past economic base reports.[10]

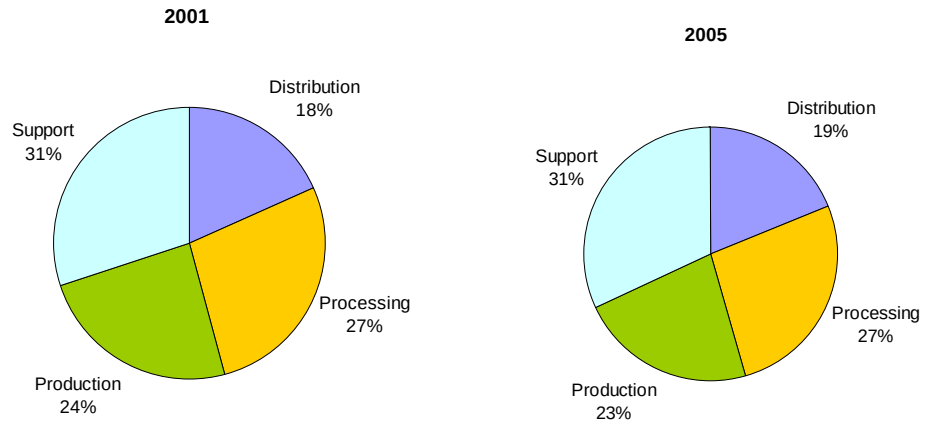
THE FOOD CHAIN

California is a leader in the global Food Chain. Global market forces are transforming California's Food Chain, as local firms become multinational firms and foreign firms produce locally in order to efficiently tailor products for local markets. As globalization has increased competition, it has also brought new opportunities in the form of new products for the state's consumers and new markets for the state's firms. Technology's role has been central as an enabler and driver in these global processes through advances in production, packaging, shipping and communications.[11] Locally, California companies are adopting innovative new processes in order to meet consumers' changing demands, such as the increasing demand for high quality convenience foods and organic products, while remaining competitive.

The Food Chain[12] cluster is composed of four components; Production, Support, Processing and Distribution. This cluster provides about 5% of all jobs in the state, or almost 751,800 jobs in 2005. From 2001 to 2005, the Food Chain cluster experienced job growth of over 9,200 jobs, an increase of 1.2%. Employment had fluctuated while declining from 2001 to 2004, but grew by about 16,900 jobs from 2004 to 2005.

Most of the jobs within the Food Chain cluster are in Support industries, providing 31% of the cluster's jobs in 2005, followed by Processing (27%) and Production (23%). Distribution is the smallest component in the cluster, with 19% of the jobs. The distribution of jobs within the Food Chain cluster changed very slightly from 2001 to 2005, as seen in **Figure 51**.

Figure 51 Employment Distribution 2001 & 2005

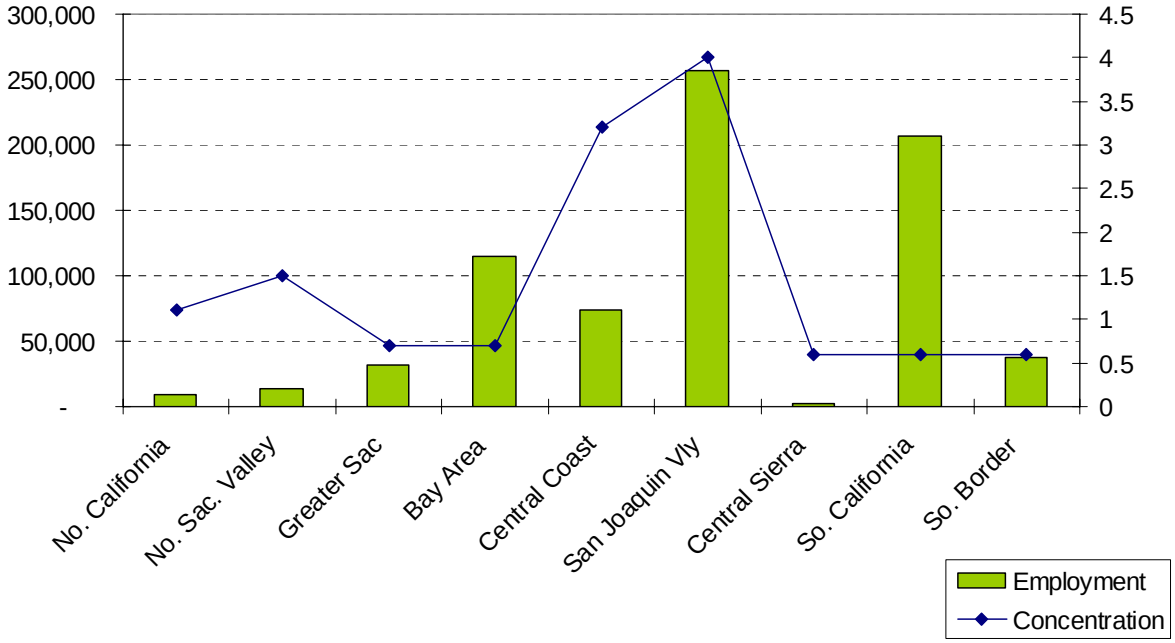


[10] The economic base reports released in 2006 used a broader definition of the economic base than the traditional one, as did the reports released in 2004 for the rural regions.
[11] Excerpts from the report, *California's Food Chain at Work*, prepared for the California Economic Strategy Panel by Collaborative Economics, Inc.
[12] This cluster includes some of the industries presented in the Resource Based component of the economic base.

From 2001-2005, two of the four cluster components reported job gains and two reported losses; Support grew by over 15,600 jobs (up 7%) and Distribution grew by almost 4,500 jobs (up 3.3%). During this same period, Production experienced losses of about 8,600 jobs (-4.8%) and Processing experienced losses of almost 2,300 jobs (-1.1%).

From a regional perspective, the highest concentration of Food Chain jobs is found in the San Joaquin Valley Region, as is the greatest number of Food Chain jobs.

Figure 52 Food Chain Employment & Concentration by Region



Size of Business

From 2001 to 2005, the percentage of Food Chain businesses with fewer than 100 employees remained fairly constant, at 95.2% in 2001 and 95.1% in 2005. These businesses provided 42.2% of the Food Chain employment in 2001, and 41.6% in 2005. In contrast, only 4.9% of the businesses in the Food Chain employ 100 or more workers, and these businesses provide 58.4% of the Food Chain jobs.

Figure 53 Distribution of Firms and Jobs in the Food Chain by Size of Business in 2005

Size Category (# employees)	% of Firms	% of Employment
0-4	48.6%	3.2%
5-9	17.7%	4.8%
10-19	13.2%	7.3%
20-49	11.1%	13.7%
50-99	4.4%	12.6%
100-249	3.1%	19.0%
250-499	1.1%	15.8%
500+	0.7%	23.6%

Businesses with fewer than 50 employees provided 29% of all Food Chain jobs in 2005; in comparison, businesses with fewer than 50 employees provided 43.7% of all of the state's private industry jobs. Looking at the smallest firms, those with fewer than 10 employees provided just 8% of all Food Chain jobs, compared to 15.1% of all private industry jobs.

Production reported the highest percentage of businesses with fewer than 100 employees, at 97.9%, followed by Distribution at 97%. Support reported the lowest percentage, at 87.9%. The percentage of Food Chain firms with fewer than 100 employees and fewer than 50 employees, by cluster component, is included in **Figure 54**.

Figure 54 provides a summary of facts for the Food Chain cluster components.

Figure 54 Food Chain

Component	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
Production	170,700	-4.8%	2.5	$ 22,840	97.9%	94.9%
Support	239,500	7.0%	1.9	$ 25,068	87.9%	80.1%
Processing	200,300	-1.1%	1.0	$ 39,720	89.3%	82.4%
Distribution	141,400	3.3%	1.0	$ 41,042	97.0%	93.1%
Food Chain Totals	**751,800**	**1.2%**	**1.4**	**$ 31,470**	**95.1%**	**90.7%**

* Employment rounded to nearest 100. Total employment may not equal sum of components due to rounding or suppression.
** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

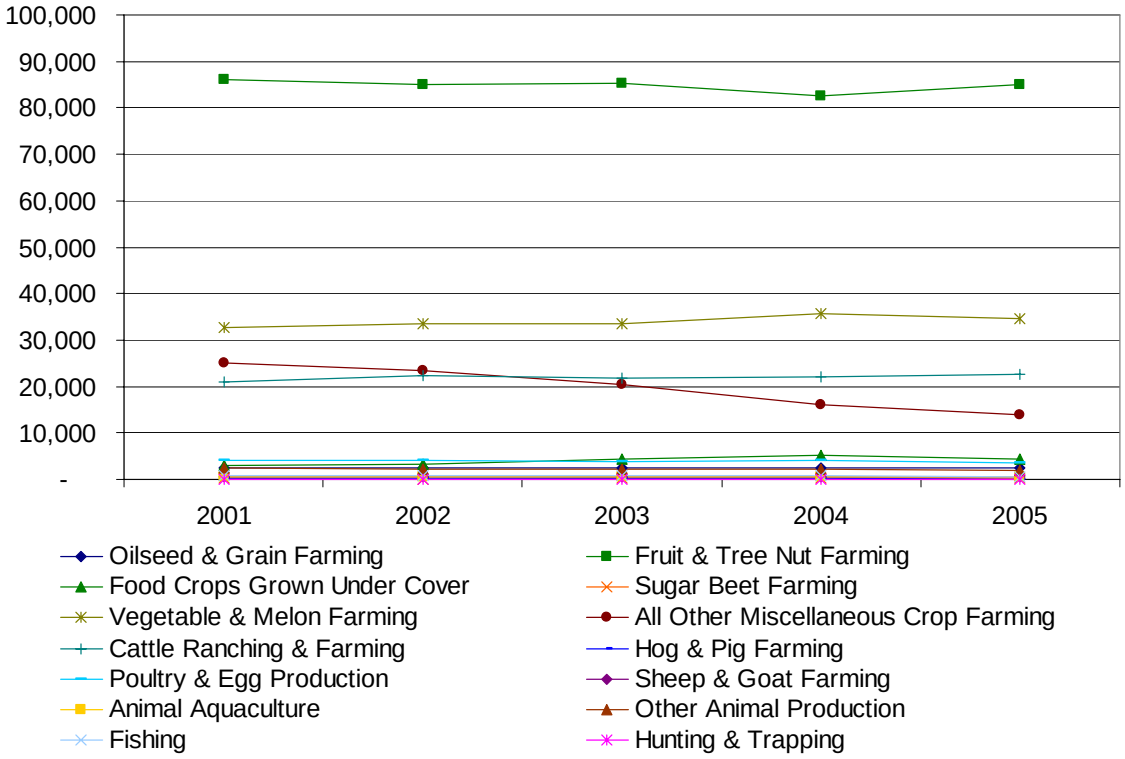
Production

The Production component of the Food Chain cluster is the third largest, with almost 170,700 jobs in 2005. Within Production, the largest industries are Fruit & Tree Nut Farming, followed by Vegetable & Melon Farming and Cattle Ranching & Farming. Although Production as a whole reported job losses from 2001 to 2005 of almost 8,600 (- 4.8%), some industries within Production reported job gains. These gains were led by Vegetable & Melon Farming, up almost 1,800 jobs (+5.5%), and Cattle Ranching & Farming, up almost 1,600 jobs (+7.8%). The fastest growing industry, although small in employment size, was Food Crops Grown Under Cover, which grew by 54% and also added about 1,600 jobs.

The job losses in Production were led by All Other Misc. Crop Farming, down over 11,200 jobs (-44.6%), followed by Fruit & Tree Nut Farming losses, down just over 900 jobs (-1.1%).

Figure 55 graphs the employment change for the Production industries from 2001 to 2005. More information on each industry's size and growth are provided in **Figure 56**.

Figure 55 Production Industries Employment Growth 2001-2005



The state has a higher concentration of Production jobs than found at the national level, with an LQ of 2.5. Within Production, the industry with the highest concentration was Fruit & Tree Nut Farming (4.5 LQ), which is also the largest industry within Production. Second highest in concentration, Vegetable & Melon Farming (3.0 LQ) is also the second largest industry. The concentration for each Production industry is provided in **Figure 56**.

Overall, Production reported an average annual wage of $22,840 in 2005, which is lower than the state's average annual wage for all private industries of $45,686. Within Production, Fishing reported the highest average wage, at $50,641, followed by Animal Aquaculture at $31,603, while Hunting & Trapping reported the lowest, at $19,367.

Figure 56 provides a summary of economic facts for the Food Chain Production industries. (Size-of-business data were not available for industries defined at the five or six-digit NAICS code level.)

Figure 56 Food Chain – Production

NAICS	Production	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
1111	Oilseed & Grain Farming	2,500	4.7%	0.7	$ 26,042	99.9%	99.3%
1113	Fruit & Tree Nut Farming	85,100	-1.1%	4.5	$ 19,949	97.6%	84.1%
11141	Food Crops Grown Under Cover	4,500	54.1%	1.8	$ 26,213	Not Available	Not Available
11193	Sugarcane Farming	0	N/A	N/A	N/A	Not Available	Not Available
111991	Sugar Beet Farming	100	-4.6%	0.9	$ 26,154	Not Available	Not Available
111992	Peanut Farming	S	S	S	S	Not Available	Not Available
1112	Vegetable & Melon Farming	34,600	5.5%	3.0	$ 25,699	92.3%	99.3%
111998	All Other Misc. Crop Farming	13,900	-44.6%	2.8	$ 23,292	Not Available	Not Available
1121	Cattle Ranching & Farming	22,700	7.8%	1.6	$ 26,171	99.5%	98.2%
1122	Hog & Pig Farming	70	-56.3%	0.0	$ 20,120	100.0%	100.0%
1123	Poultry & Egg Production	3,500	-15.2%	0.7	$ 26,363	97.2%	92.2%
1124	Sheep & Goat Farming	400	-2.6%	2.8	$ 21,967	100.0%	100.0%
1125	Animal Aquaculture	500	-3.5%	0.8	$ 31,603	100.0%	97.1%
1129	Other Animal Production	2,000	-18.7%	0.9	$ 27,060	99.7%	99.2%
1141	Fishing	600	-31.3%	0.7	$ 50,641	100.0%	100.0%
1142	Hunting and Trapping	< 50	-51.6%	0.2	$ 19,367	100.0%	100.0%
	Production Totals, Non-suppressed* **	**170,700**	**-4.8%**	**2.5**	**$ 22,840**	**97.9%**	**94.9%**

* Employment rounded to nearest 100. Numbers may not add due to rounding. "S" means employment was suppressed due to confidentiality.
** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.
*** Calculations made using this total may not match those in this report, as the report's findings are based on all data, including confidential data.

Support

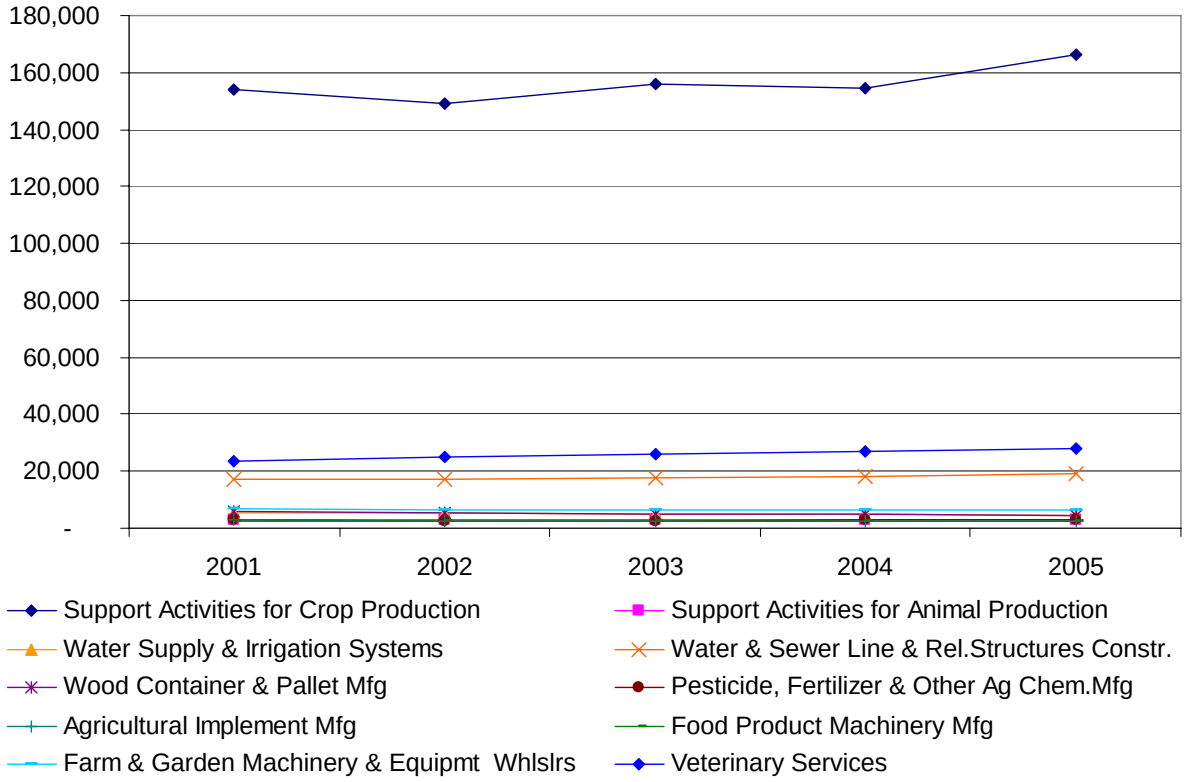
The Support component of the Food Chain cluster is the largest component, with almost 239,500 jobs in 2005. Within Support, by far the largest industry is Support Activities for Crop Production, with just over 166,000 jobs. This industry grew by 7.7% from 2001 to 2005, adding over 11,900 jobs. A distant second in size, the Veterinary Services industry reported almost 27,900 jobs in 2005, representing a 17.6% increase from 2001.

From 2001 to 2005, Veterinary Services was also the fastest growing Support industry with its 17.6% job growth (a 4.1% AAGR). This was followed by Water & Sewer Line & Related Structures Construction, increasing by 12.4% (a 3.0% AAGR).

The largest number of jobs lost during this period was reported by Wood Container & Pallet Manufacturing, down just over 1,300 jobs. This represents a loss of 22%.

Figure 57 graphs the employment change for the Support industries from 2001 to 2005; however, since the largest of these industries provides over 76% of the jobs in the Support sector, change for the other industries is not easily seen. Better insight may be gained by referring to the employment and growth data provided in **Figure 58**.

Figure 57 Support Industries Employment Growth 2001-2005



California has a higher concentration of Support jobs than found at the national level. Within Support, concentration is highest in Support Activities for Crop Production (5.1 LQ). The state has a strong competitive advantage in this industry.

Overall, Support reported an average annual wage of $25,068 in 2005, which is significantly lower than the state's average annual wage for all private industries of $45,686. This low average is due to the large number of jobs in Support Activities for Crop Production, which represents over 88% of Support jobs and pays the least, at $18,162. Some industries within Support pay higher than the state's average. The highest paying industries in Support include Water & Sewer Line & Related Construction, paying an average of $55,840 annually, followed by Farm & Garden Machinery & Equipment Wholesalers ($46,467) and Water Supply & Irrigation Systems ($46,303).

Figure 58 provides a summary of economic facts for the Food Chain Support industries. (Size-of-business data were not available for industries defined at the five or six-digit NAICS code level.)

Figure 58 Food Chain - Support

NAICS	Support	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
1151	Support Activities for Crop Production	166,000	7.7%	5.1	$ 18,162	85.1%	75.7%
1152	Support Activities for Animal Production	3,100	8.1%	1.0	$ 25,557	100.0%	99.7%
22131	Water Supply & Irrigation Systems	4,300	-16.8%	1.1	$ 46,303	Not Available	Not Available
23711	Water & Sewer Line & Rel. Construction	19,200	12.4%	0.8	$ 55,840	Not Available	Not Available
32192	Wood Container & Pallet Mfg	4,600	-22.1%	0.7	$ 26,580	Not Available	Not Available
3253	Pesticide, Fertilizer & Other Ag.Chem.Mfg	3,100	9.9%	0.7	$ 42,762	96.3%	89.9%
33311	Agricultural Implement Mfg	2,300	-17.4%	0.3	$ 38,980	Not Available	Not Available
333294	Food Product Machinery Mfg	2,300	-11.6%	1.1	$ 45,592	Not Available	Not Available
42382	Farm, Garden Machinery & Equip. Whlslrs	6,600	-1.8%	0.6	$ 46,467	Not Available	Not Available
54194	Veterinary Services	27,900	17.6%	0.9	$ 31,525	Not Available	Not Available
	Support Totals	**239,500**	**7.0%**	**1.9**	**$ 25,068**	**87.9%**	**80.1%**

* Employment rounded to nearest 100. Numbers may not add due to rounding.
** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

Processing

The Processing component of the Food Chain cluster is the second largest component statewide, with almost 200,400 jobs, although it experienced job losses of -1.1%, down almost 2,300 jobs from 2001 to 2005. During this period, some regions experienced job growth in Processing, while others accounted for the overall job losses at the state level. For example, the San Joaquin Valley Region reported growth, but this was offset by losses in six other regions, including the Central Coast and Southern California Regions.

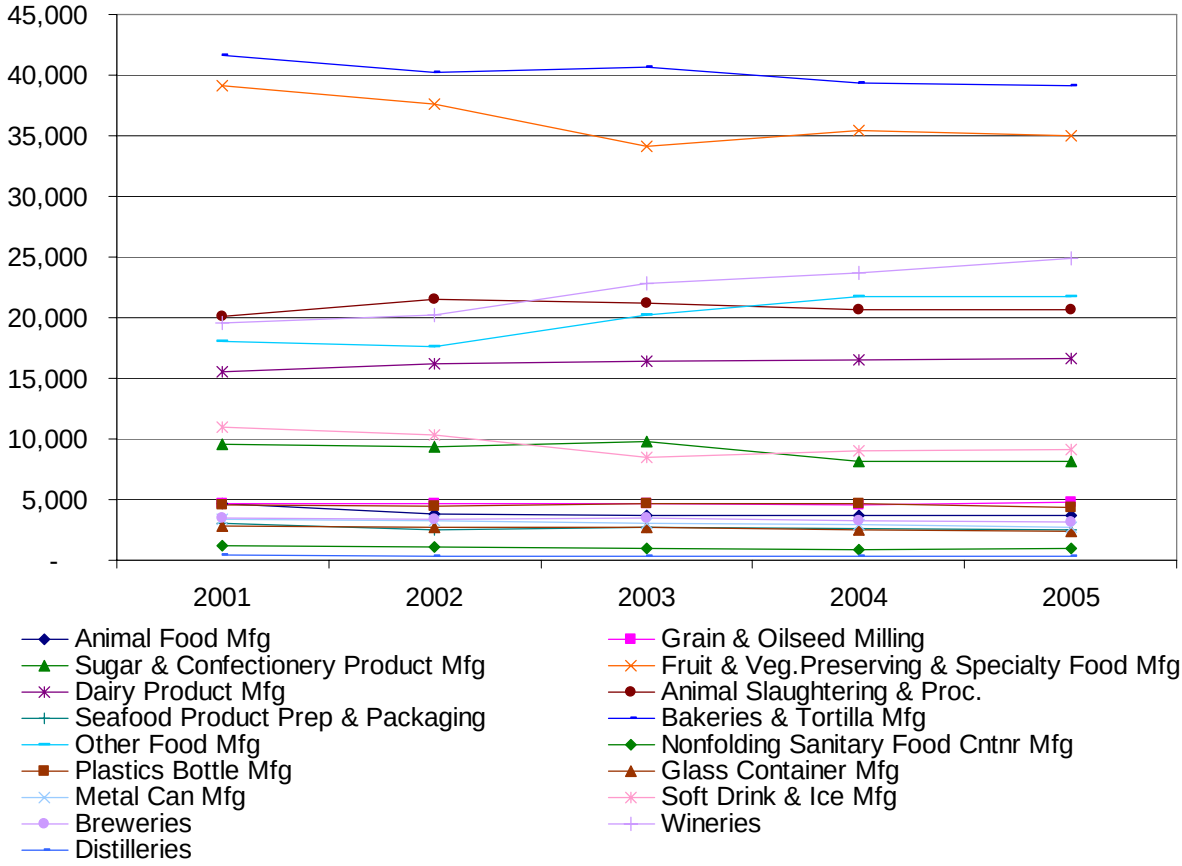
Within Processing, the largest industry is Bakeries & Tortilla Manufacturing with almost 39,100 jobs in 2005, followed by Fruit & Vegetable Preserving & Specialty Food Manufacturing (35,000 jobs) and Wineries (24,900 jobs). Within Bakeries & Tortilla Manufacturing, the most jobs by far are found in Bread and Bakery Product Manufacturing (led by Commercial Bakeries), with over 28,800 jobs in 2005. Within Fruit & Vegetable Preserving & Specialty Food Manufacturing, the most jobs are found in Fruit & Vegetable Canning, Pickling & Drying (led by Fruit & Vegetable Canning), with almost 21,700 jobs.

The largest number of jobs gained in Processing, for the period 2001to 2005, was reported by Wineries, with a gain of almost 5,400 jobs. The Wineries industry was also the fastest growing, with an increase of 27.5%. Other Food Manufacturing was second in both numbers and percentage of jobs gained, with a gain of 3,700 jobs, up 20.7%.

The job losses in Processing were led by Fruit & Vegetable Preserving & Specialty Food Manufacturing, which experienced a loss of over 4,100 jobs from 2001 to 2005, down 10.6%.

Figure 59 graphs the employment change for the Processing industries from 2001 to 2005. More information on each industry's size and growth are provided in **Figure 60**.

Figure 59 Processing Industries Employment Growth 2001-2005



California has an equal concentration of Processing jobs as found nationwide; however, within Processing, the Wineries industry has a very high concentration (6.4 LQ), giving the state a very strong competitive advantage in this industry. The concentration for each Production industry is provided in **Figure 60**.

Overall, Processing reported an average annual wage of $39,720 in 2005, which is lower than the state's average annual wage for all private industries of $45,686. Within Processing, Metal Can Manufacturing reported the highest average wage, at $65,088, while Bakeries & Tortilla Manufacturing reported the lowest, at $29,716.

Figure 60 provides a summary of economic facts for the Food Chain Processing industries. (Size-of-business data were not available for industries defined at the five or six-digit NAICS code level.)

Figure 60 Food Chain - Processing

NAICS	Processing	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
3111	Animal Food Manufacturing	3,700	-20.5%	0.7	$ 58,307	95.8%	87.4%
3112	Grain & Oilseed Milling	4,800	3.3%	0.7	$ 54,669	85.4%	72.8%
3113	Sugar & Confectionery Product Mfg	8,100	-14.8%	0.9	$ 39,363	91.4%	84.8%
3114	Fruit & Veg. Presrv & Spec. Food Mfg	35,000	-10.6%	1.7	$ 35,672	68.9%	56.6%
3115	Dairy Product Manufacturing	16,600	6.4%	1.1	$ 52,891	74.0%	64.1%
3116	Animal Slaughtering & Processing	20,700	3.1%	0.4	$ 31,933	84.3%	73.7%
3117	Seafood Product Prep & Packaging	2,500	-15.8%	0.5	$ 30,635	85.7%	73.2%
3118	Bakeries & Tortilla Mfg	39,100	-6.1%	1.2	$ 29,716	94.9%	91.2%
3119	Other Food Manufacturing	21,800	20.7%	1.2	$ 37,722	90.7%	80.8%
322215	Nonfolding Sanitary Food Contnr Mfg	900	-20.9%	0.5	$ 36,960	Not Available	Not Available
32616	Plastics Bottle Manufacturing	4,300	-4.3%	1.1	$ 40,021	Not Available	Not Available
327213	Glass Container Manufacturing	2,400	-13.2%	1.2	$ 55,893	Not Available	Not Available
332431	Crown and Closure Manufacturing	S	-11.5%	0.4	$ 52,940	Not Available	Not Available
31211	Metal Can Manufacturing	2,700	-19.9%	1.0	$ 65,088	Not Available	Not Available
31212	Soft Drink & Ice Manufacturing	9,100	-16.5%	0.8	$ 47,442	Not Available	Not Available
31213	Breweries	3,200	-8.6%	1.0	$ 59,189	Not Available	Not Available
332431	Wineries	24,900	27.5%	6.4	$ 46,095	Not Available	Not Available
31211	Distilleries	300	-10.5%	0.4	$ 53,896	Not Available	Not Available
	Processing Totals, Non-suppressed* **	**200,300**	**-1.1%**	**1.0**	**$ 39,720**	**89.3%**	**82.4%**

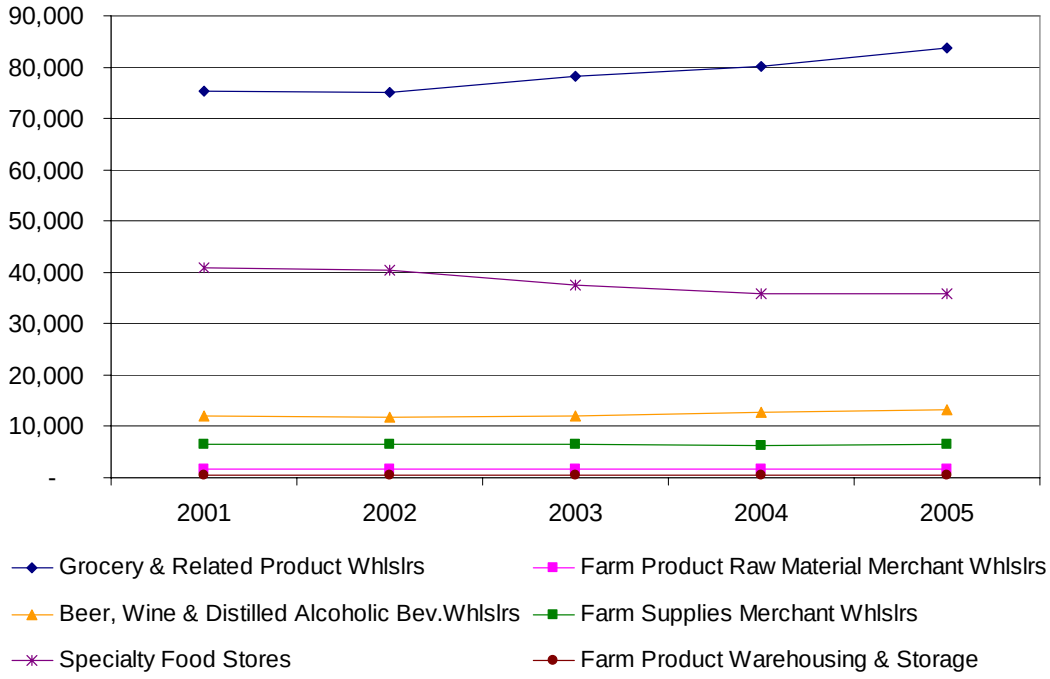
* Employment rounded to nearest 100. Numbers may not add due to rounding. "S" means employment was suppressed due to confidentiality.
** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.
*** Calculations made using this total may not match those in this report, as the report's findings are based on all data, including confidential data.

Distribution

Distribution is the smallest component of the Food Chain cluster, with almost 141,400 jobs in 2005. From 2001 to 2005, Distribution grew by almost 4,500 jobs, or 3.3%. The largest industry within Distribution is Grocery & Related Product Wholesalers, with 83,700 jobs in 2005. Grocery & Related Product Wholesalers gained the largest number of jobs from 2001 to 2005, adding 8,400 jobs, and also reported fastest growth rate during this period, up 11.2%.

Figure 61 graphs the employment change for the Distribution industries from 2001 to 2005. More information on each industry's size and growth are provided in **Figure 62**.

Figure 61 Distribution Industries Employment 2001-2005



California has an equal concentration of Distribution jobs as found at the national level. Within Distribution, concentration is highest in Specialty Food Stores (1.3 LQ). This is the only industry above the national concentration level.

Overall, Distribution reported an average annual wage of $41,042 in 2005, which is lower than the state's average annual wage for all private industries of $45,686. Within Distribution, the Beer, Wine & Distilled Alcoholic Beverage Wholesalers industry reported the highest average wage, at $58,635, while Specialty Food Stores reported the lowest, at $24,706.

Figure 62 provides a summary of economic facts for the Food Chain Distribution industries. (Size-of-business data were not available for industries defined at the five or six-digit NAICS code level.)

Figure 62 Food Chain - Distribution

NAICS	Distribution	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
4244	Grocery & Related Product Wholesalers	83,700	11.2%	1.0	$44,582	95.7%	91.1%
4245	Farm Product Raw Material Merchant Whlslrs	1,600	-5.4%	0.2	$43,720	100.0%	95.3%
4248	Beer, Wine & Distilled Alcoholic Bev. Whlslrs	13,100	8.9%	0.8	$58,635	90.2%	80.6%
42491	Farm Supplies Merchant Wholesalers	6,600	1.1%	0.5	$49,670	Not Available	Not Available
4452	Specialty Food Stores	35,900	-12.2%	1.3	$24,706	99.2%	96.8%
49313	Farm Product Warehousing & Storage	500	0.0%	0.5	$37,267	Not Available	Not Available
	Distribution Totals	**141,400**	**3.3%**	**1.0**	**$41,042**	**97.0%**	**93.1%**

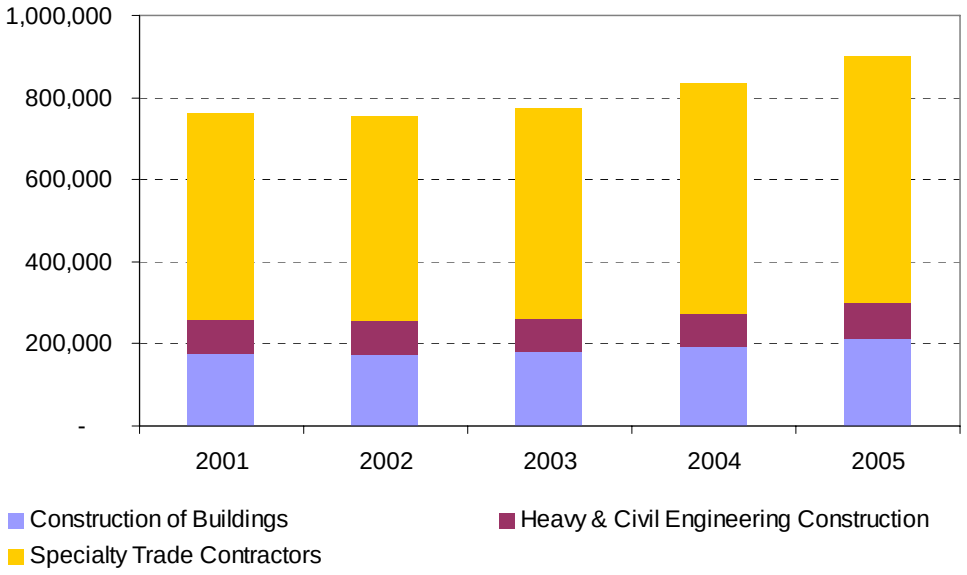
* Employment rounded to nearest 100. Numbers may not add due to rounding.
** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

CONSTRUCTION

The Construction industry provides almost 6% of the jobs for California, with almost 901,200 jobs in 2005. From 2001 to 2005, employment increased by 18.1%, or almost 138,400 jobs. Employment decreased by 7,600 jobs from 2001 to 2002, but then increased through 2005.

All three sub-sectors reported growth during this period. Specialty Trade Contractors is the largest sub-sector, with over 599,600 jobs in 2005, and added the most jobs of the three sub-sectors, with an increase of over 96,200 jobs, up 19.1%. Construction of Buildings grew by almost 37,600 jobs, or 21.6%, and Heavy and Civil Engineering Construction grew by almost 4,600 jobs, or 5.4%.

Figure 63 Construction Sub-sector Employment 2001-2005



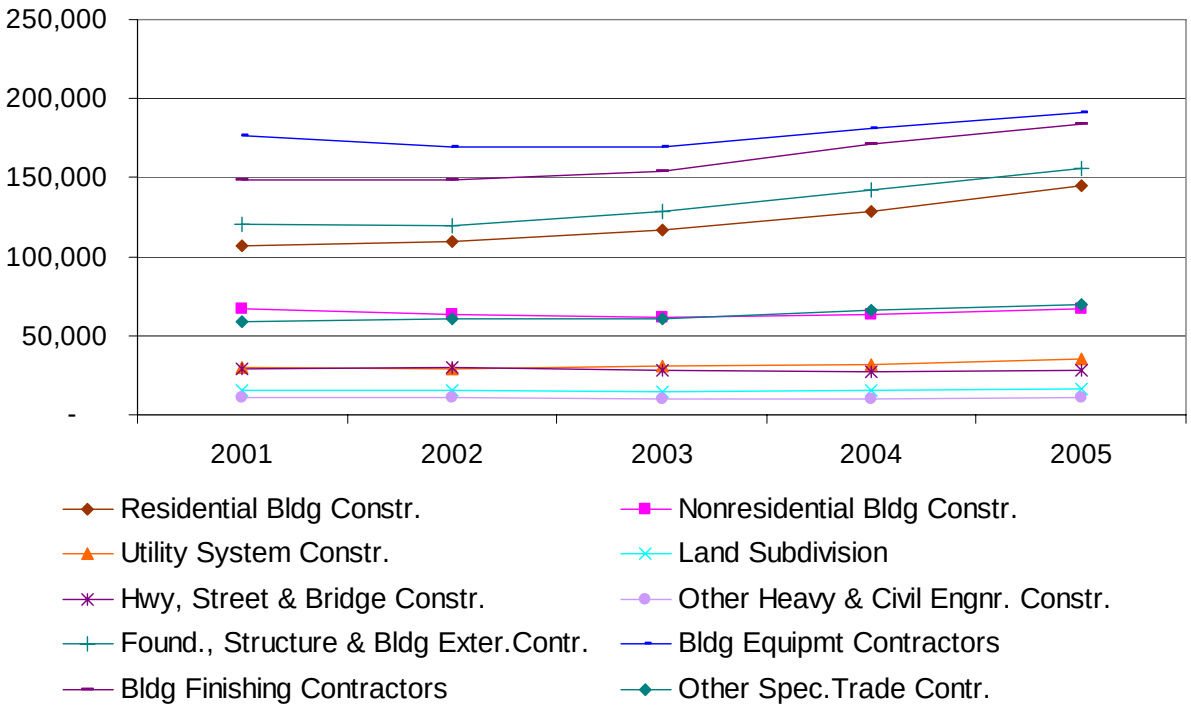
Within Construction of Buildings, Residential Building Construction increased by over 37,800 jobs from 2001 to 2005 (up 35.3%), while Nonresidential Building Construction reported slight job losses, down almost 300 jobs (-0.4%). The growth in Residential Building Construction was led by New Single-Family Housing Construction.

Within Heavy & Civil Engineering Construction, the Utility System Construction industry added the most jobs, with a gain of over 4,700 jobs (up 15.6%) from 2001 to 2005; and, Land Subdivision added over 1,500 jobs (up 10.3%). Job losses were reported by Highway, Street & Bridge Construction (down almost 1,200 jobs, or -4.1%) and Other Heavy & Civil Engineering Construction (down over 500 jobs, or -4.9%).

Within Specialty Trade Contractors, the largest industry is Building Equipment Contractors, with almost 191,000 jobs, followed by Building Finishing Contractors, with 183,600 jobs. Foundation, Structure, and Building Exterior Contractors reported the most jobs gained from 2001 to 2005, up over 35,300 jobs; the industry also reported the fastest job growth, up 29.4%.

Figure 64 shows employment growth for the Construction industries from 2001 to 2005.

Figure 64 Construction Industries Employment 2001-2005



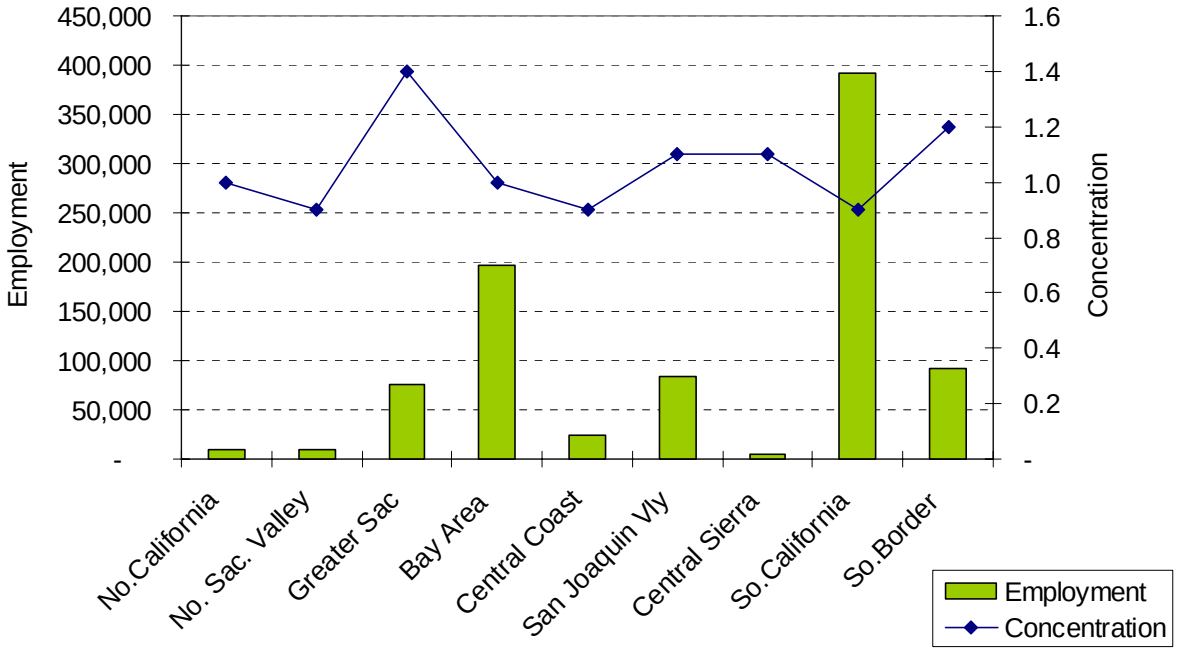
California has a slightly higher concentration of Construction jobs than found nationally, with an LQ of 1.1. Within Construction, the industry group with the highest concentration was Utility System Construction (1.6 LQ). The concentration for each Construction industry is provided in **Figure 67**.

Overall, Construction reported an average annual wage of $45,646 in 2005, which is about the same as the state's average annual wage for all private industries of $45,686. Within Construction, Land Subdivision reported the highest average wage, at $85,871, while Building Finishing Contractors reported the lowest, at $35,134.

From a regional perspective, the highest concentration of Construction jobs is found in the Greater Sacramento Region, and the greatest number of Construction jobs is found in Southern California.

Figure 65 shows the number and concentration of Construction jobs for each region.

Figure 65 Construction Employment & Concentration by Region



Size of Business

From 2001 to 2005, the percentage of Construction industry businesses with fewer than 100 employees decreased only slightly, from 98.3% in 2001 to 98.1% in 2005. These businesses provided 69.1% of Construction employment in 2001, and 65.6% in 2005. In contrast, only 1.9% of the businesses in Construction employ 100 or more workers, and these businesses provide 34.4% of Construction jobs.

Figure 66 Distribution of Firms and Jobs in Construction by Size of Business in 2005

Size Category (# employees)	% of Firms	% of Employment
0-4	55.1%	6.9%
5-9	18.9%	9.8%
10-19	12.6%	13.2%
20-49	8.6%	20.3%
50-99	2.9%	15.2%
100-249	1.4%	16.7%
250-499	0.3%	9.1%
500+	0.1%	8.6%

Businesses with fewer than 50 employees provided 50.3% of all Construction jobs in 2005; in comparison, businesses with fewer than 50 employees provided 43.7% of all of the state's private industry jobs. Looking at the smallest firms, those with fewer than 10 employees provided 16.8% of all Construction jobs, compared to 15.1% of all private industry jobs.

Residential Building Construction reported the highest percentage of businesses with fewer than 100 employees, at 99.2%, followed by Other Specialty Trade Contractors at 98.7%. Highway, Street & Bridge Construction reported the lowest percentage, at 92.5%. The percentage of Construction firms with fewer than 100 employees and fewer than 50 employees, by industry, is included in **Figure 67.**

Figure 67 provides a summary of economic facts for the Construction industries.

Figure 67 Construction

NAICS	Industry	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
2361	Residential Bldg Constr.	145,000	35.3%	1.3	$48,323	99.2%	97.9%
2362	Nonresidential Bldg Constr.	66,900	-0.4%	0.8	$60,141	97.0%	92.3%
2371	Utility System Constr.	35,000	15.6%	0.8	$58,209	94.3%	85.8%
2372	Land Subdivision	16,500	10.3%	1.5	$85,871	97.9%	96.0%
2373	Highway, Street & Bridge Constr.	27,700	-4.1%	0.7	$64,371	92.5%	83.5%
2379	Other Heavy & Civil Engineering Constr.	10,500	-4.9%	0.9	$63,906	95.2%	87.8%
2381	Foundation, Struct., Bldg Exter. Contractors	155,400	29.4%	1.2	$35,469	96.7%	92.8%
2382	Bldg Equipmt Contractors	191,000	8.4%	0.9	$47,455	98.3%	95.5%
2383	Bldg Finishing Contractors	183,600	23.8%	1.6	$35,134	97.9%	95.0%
2389	Other Specialty Trade Contractors	69,700	18.3%	0.9	$45,586	98.7%	95.4%

* Employment rounded to nearest 100. Numbers may not add due to rounding.
** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

MANUFACTURING VALUE CHAIN

California's manufacturing industry has undergone a transformation. While traditional manufacturing (production) jobs have declined since the 1990's, job growth has occurred in the design and logistics (warehousing and delivery) phases of manufacturing. Improvements in production technology have increased production, as measured in gross domestic product, but have reduced the number of production jobs. At the same time, the "just in time" approach to supply and delivery is lowering warehousing costs and has increased the number and types of jobs in logistics.

The California Regional Economies Project calls this industry cluster the Manufacturing Value Chain. Manufacturing industries are important for innovation, high wages and exports. The design and logistics components of manufacturing are providing more middle and higher-level jobs that pay well and offer career development opportunities. By definition, the Manufacturing Value Chain includes some of the manufacturing industries discussed in the economic base analysis, under High Tech Manufacturing and Diversified Manufacturing, presented earlier in this report. This section of the report takes a look at a broader range of manufacturing activities in the region.

Manufacturing remains an important component of the California economy. The Manufacturing Value Chain provides about 14% of the region's job, with almost 2,112,000 jobs in 2005; however, from 2001 to 2005, this cluster declined by almost 218,800 jobs, down 9.4%.

Within the Manufacturing Value Chain cluster, the percentage of jobs made up by each component has changed over time. In 2001, Design represented about 14% of the jobs within the cluster; as of 2005, Design represents 18% of the cluster. During this time, Logistics' share of the jobs changed slightly, from 17% to 18%, and Production dropped from 69% of the cluster's jobs in 2001, to 64% in 2005. **Figure 68** illustrates these changes.

Figure 68 Distribution of Jobs within the Manufacturing Value Chain

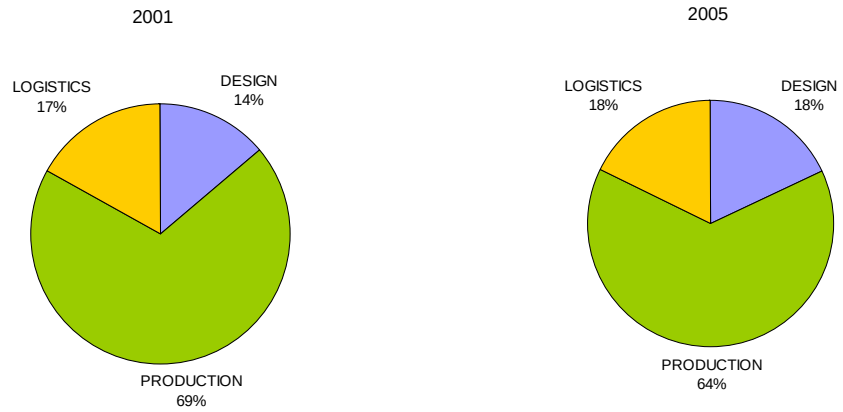
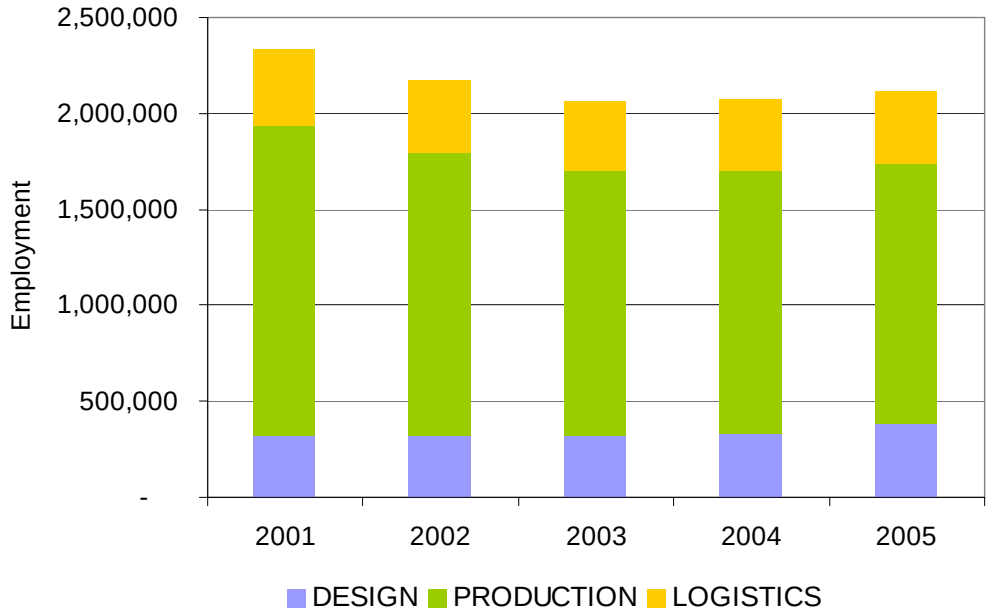


Figure 69 shows employment change for the cluster and its components from 2001 to 2005.

Figure 69 Manufacturing Value Chain Employment 2001-2005



Overall, California's concentration of Manufacturing Value Chain cluster jobs (0.9 LQ) is slightly lower than the national average; however, the state has a high concentration in a number of industries within all three components, representing a strong competitive advantage in these areas.

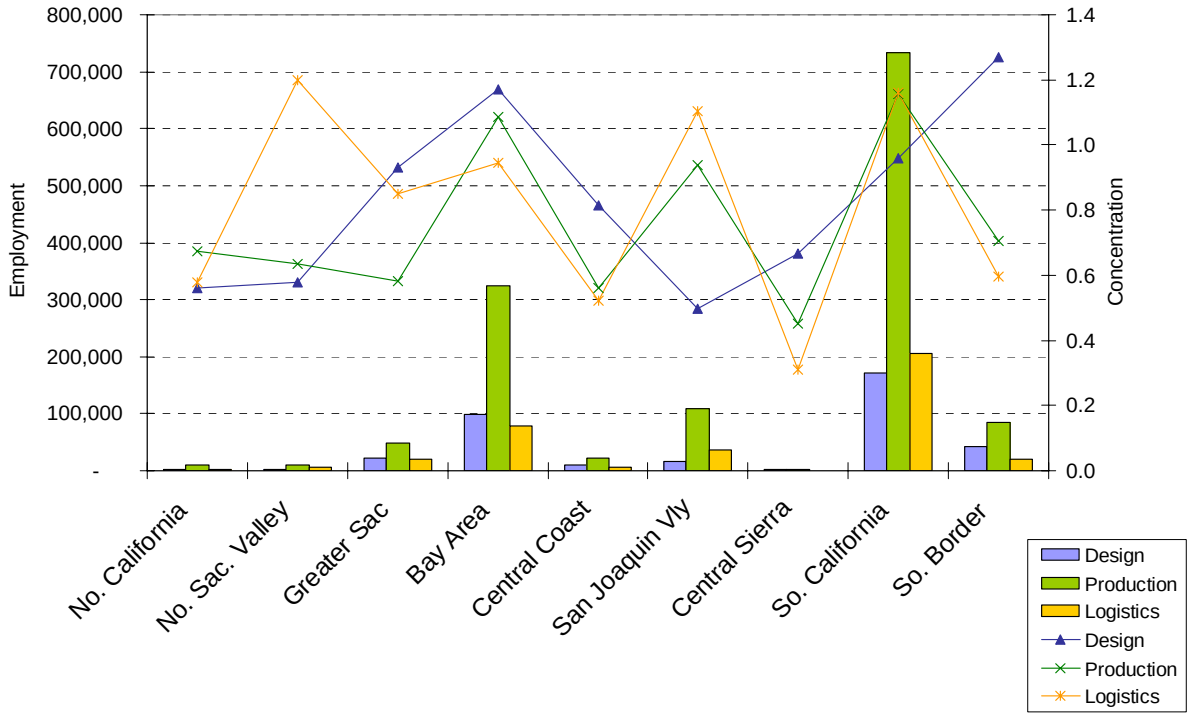
The highest of these are in Production, and include Cut & Sew Apparel Manufacturing (3.0 LQ); Computer & Peripheral Equipment Manufacturing (2.5 LQ); Audio & Video Equipment Manufacturing (2.3 LQ); Semiconductor & Other Electronic Component Manufacturing (2.1 LQ); Navigational, Measuring, Electromedical, & Control Instruments Manufacturing (2.1 LQ); and, Beverage Manufacturing (1.9 LQ). Many more individual industries exceed the national concentration levels. **Figures 74, 76** and **78** show the concentration levels for the industries in each component of the Manufacturing Value Chain cluster.

The Manufacturing Value Chain cluster's average annual wage for the state in 2005 was $56,651, up almost 14% from the 2001 average of $49,842. Within the cluster, the component with the highest average annual wage is Design, with an average of $64,161 in 2005. The average annual wage for Production was $58,297 in 2005, and the average for Logistics was $43,129 in 2005. Two of the three components reported higher average annual wages than the state's average wage for all private industry jobs, which was $45,686 in 2005.

From a regional perspective, the highest concentration of Manufacturing Value Chain jobs is found in the Southern California Region (1.12 LQ), followed closely by the Bay Area Region (1.08 LQ). The greatest number of Manufacturing Value Chain jobs is found in the Southern California Region. Looking at each cluster component, the highest concentration of Design jobs is in the Southern Border Region (1.3 LQ); the highest concentration of Production jobs is in Southern California Region (1.2 LQ); and, the highest concentration of Logistics jobs is in the Northern Sacramento Valley Region (1.20 LQ), followed closely by the Southern California Region (1.16 LQ). The Southern California Region has the highest number of jobs in each area.

Figure 70 shows the number and concentration of Manufacturing Value Chain jobs, by component, for each region.

Figure 70 Manufacturing Value Chain Employment & Concentration by Region



Size of Business

From 2001 to 2005, the percentage of Manufacturing Value Chain businesses with fewer than 100 employees increased slightly, from 95.8% in 2001 to 96.3% in 2005. These businesses provided 57% of Manufacturing Value Chain employment in 2001, and almost 58% in 2005. In contrast, only 3.7% of the businesses in Manufacturing Value Chain employ 100 or more workers, and these businesses provide 52.5% of Manufacturing Value Chain jobs.

Figure 71 Distribution of Firms and Jobs in Manufacturing Value Chain by Size of Business in 2005

Size Category (# employees)	% of Firms	% of Employment
0-4	50.8%	3.8%
5-9	17.2%	5.5%
10-19	13.3%	8.7%
20-49	10.7%	15.6%
50-99	4.2%	14.0%
100-249	2.6%	18.9%
250-499	0.7%	11.3%
500+	0.4%	22.3%

Businesses with fewer than 50 employees provided 33.5% of all Manufacturing Value Chain cluster jobs in 2005; in comparison, businesses with fewer than 50 employees provided 43.7% of all of the state's private industry jobs. Looking at the smallest firms, those with fewer than 10 employees provided 9.3% of all cluster jobs, compared to 15.1% of all private industry jobs.

Design reported the highest percentage of businesses with fewer than 100 employees, at 99%; Production reported the lowest percentage, at 93.4%. The percentage of Manufacturing Value Chain firms with fewer than 100 employees and fewer than 50 employees, by cluster component, is included in **Figure72**.

Figure 72 provides a summary of facts for the Manufacturing Value Chain cluster components.

Figure 72 Manufacturing Value Chain

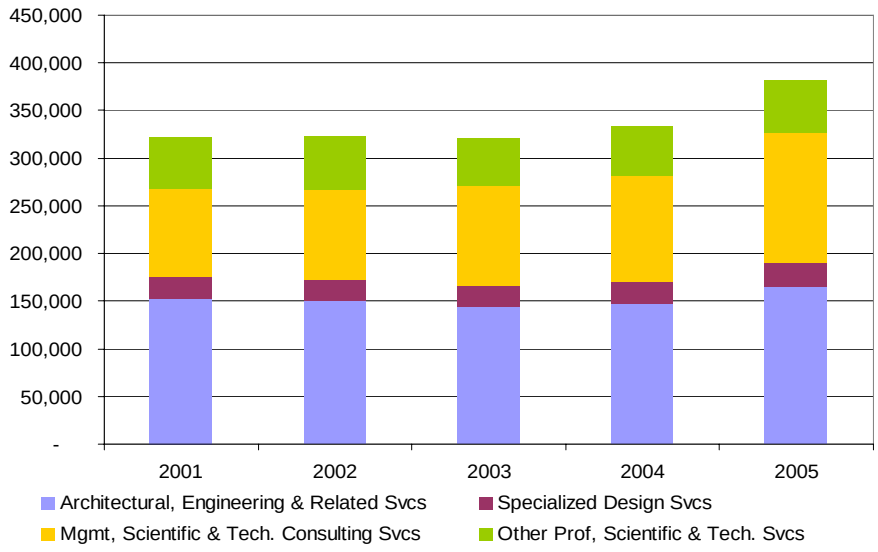
Component	2005 Employment*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
Design	381,600	18.7%	1.2	$ 64,161	99.0%	97.2%
Production	1,353,600	-16.2%	0.9	$ 58,297	93.4%	86.7%
Logistics	376,800	-4.5%	0.9	$ 43,129	96.2%	91.7%
Manufacturing Chain Totals	**2,112,000**	**-9.4%**	**0.9**	**$ 56,651**	**96.3%**	**92.0%**

* Employment rounded to nearest 100. Total employment may not equal sum of components due to rounding or suppression.
** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

Design

The Design component of the Manufacturing Value Chain provided 381,600 jobs for the state in 2005, and grew by almost 60,000 jobs, or 18.7%, from 2001 to 2005. Within Design, the Architectural, Engineering & Related Services sub-sector provided the most jobs in 2005, at 165,800 jobs, and reported the second highest rate of growth from 2001-2005, at 8.7%. Management, Scientific & Technical Consulting Services is the second largest industry in Design, with 136,300 jobs in 2005, and reported the highest rate of growth, at 48.6%.

Figure 73 Design Employment 2001-2005



California has a higher concentration of Design jobs (1.2 LQ) than found at the national level, representing a competitive advantage in this area.

Overall, the average annual wage for the Design industries was $64,161 in 2005; this was up from $58,860 in 2001, an increase of 9%. Design jobs have a higher wage than for the

Manufacturing Value Chain as a whole at $56,651 in 2005, and are also higher than the state's average wage for all private industry jobs ($45,686 in 2005). Within Design, the highest average annual wage was reported by Architectural, Engineering & Related Services, at $72,199 in 2005.

Figure 74 provides a summary of economic facts for the Design industries.

Figure 74 Manufacturing Value Chain - Design

NAICS	Industry	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
5413	Architectural, Enginrg & Related Svcs	165,800	8.7%	1.1	$ 72,199	98.4%	95.4%
5414	Specialized Design Svcs	24,700	5.4%	1.6	$ 56,134	99.7%	98.8%
5416	Mgmt, Sci. & Tech.Consulting Svcs	136,300	48.6%	1.4	$ 67,474	99.1%	98.0%
5419	Other Prof, Scientific & Tech Svcs	54,800	1.7%	0.9	$ 35,219	99.3%	97.7%
	Design Totals	**381,600**	**18.7%**	**1.2**	**$ 64,161**	**99.0%**	**97.2%**

* Employment rounded to nearest 100. Numbers may not add due to rounding.
** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

Production

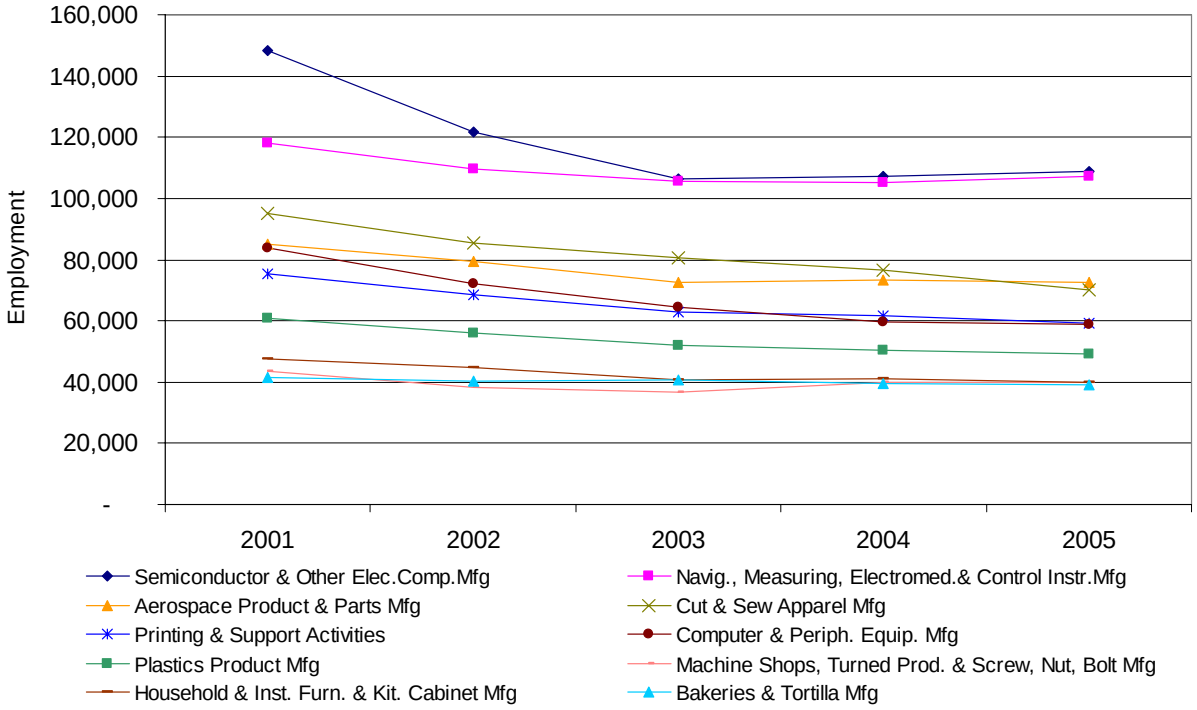
The Production component of the Manufacturing Value Chain provided 1,353,600 jobs in 2005, which represents 64% of the cluster's jobs and almost 9% of all of the state's jobs, although employment declined significantly from 2001 to 2005, with losses of 261,000 jobs (-16.2%). All regions except the San Joaquin Valley Region experienced Production job losses during this period, and that region only reported very slight growth of less than 400 jobs, or 0.4%.

Within Production, the largest industry is Semiconductor & Other Electronic Component Manufacturing, with 108,800 jobs in 2005; however, this industry reported job losses of almost 39,400 jobs, or 26.6%, from 2001 to 2005. The second largest industry is Navigational, Measuring, Electromedical & Control Instrument Manufacturing, with 107,200 jobs in 2005; this industry reported job losses of 10,900 jobs, or 9.2%, from 2001 to 2005. These were followed in employment size by Aerospace Product & Parts Manufacturing with about 72,700 jobs in 2005; and, Cut & Sew Apparel Manufacturing with almost 70,200 jobs.

The fastest growing industry in Production was Other Food Manufacturing, up 20.7% from 2001 to 2005, followed by Iron & Steel Mills & Ferroalloy Manufacturing (up 19.1%), Cement and Concrete Product Manufacturing (up 13.2%), Motor Vehicle Manufacturing (up 11.7%), and Pesticide, Fertilizer & Other Agricultural Chemical Manufacturing (up 9.9%).

Figure 75 shows the employment change for the ten largest industries within Production, from 2001 to 2005.

Figure 75 Production Top Ten Industries Employment 2001-2005



California has a slightly lower concentration of Production jobs overall (0.9 LQ) than found at the national level; however, this masks the state's strong competitive advantage in a number of industries within Production. These include Cut & Sew Apparel Manufacturing (3.0 LQ); Computer & Peripheral Equipment Manufacturing (2.5 LQ); Audio & Video Equipment Manufacturing (2.3 LQ); Semiconductor & Other Electronic Component Manufacturing (2.1 LQ); and, Navigational, Measuring, Electromedical, & Control Instruments Manufacturing (2.1 LQ).

Overall, the average annual wage for the Production industries was $58,297 in 2005, up from $50,770 in 2001 (almost 15%), and is higher than the state's average wage for all private industry jobs ($45,686 in 2005). Within Production, the highest average annual wage was reported by Computer & Peripheral Equipment Manufacturing, at $134,917 in 2005. This was followed by Petroleum and Coal Products Manufacturing, at $112,929, and Industrial Machinery Manufacturing, at $92,958.

Figure 76 provides a summary of economic facts for the Production industries.

Figure 76 Manufacturing Value Chain - Production

NAICS	Industry	2005 Employmt*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
3111	Animal Food Mfg	3,700	-20.5%	0.7	$ 58,307	95.8%	87.4%
3112	Grain & Oilseed Milling	4,800	3.3%	0.7	$ 54,669	85.4%	72.8%
3113	Sugar & Confectionery Product Mfg	8,100	-14.8%	0.9	$ 39,363	91.4%	84.8%
3114	Fruit & Veg Presrv. & Specialty Food Mfg	35,000	-10.6%	1.7	$ 35,672	68.9%	56.6%
3115	Dairy Product Mfg	16,600	6.4%	1.1	$ 52,891	74.0%	64.1%
3116	Animal Slaughtering & Processing	20,700	3.1%	0.4	$ 31,933	84.3%	73.7%
3117	Seafood Product Prep & Packaging	2,500	-15.8%	0.5	$ 30,635	85.7%	73.2%

3118	Bakeries & Tortilla Mfg	39,100	-6.1%	1.2	$ 29,716	94.9%	91.2%
3119	Other Food Mfg	21,800	20.7%	1.2	$ 37,722	90.7%	80.8%
3121	Beverage Mfg	37,600	9.4%	1.9	$ 47,612	91.4%	84.0%
3122	Tobacco Mfg	< 20	183.3%	0.0	$ 18,283	100.0%	100.0%
3131	Fiber, Yarn & Thread Mills	600	-8.8%	0.1	$ 24,346	100.0%	94.6%
3132	Fabric Mills	3,400	-39.6%	0.3	$ 30,327	95.6%	92.3%
3133	Textile, Fabric Finishing & Coating Mills	9,000	-0.8%	1.2	$ 27,702	92.9%	83.9%
3141	Textile Furnishings Mills	7,500	-25.4%	0.7	$ 29,346	95.4%	90.8%
3149	Other Textile Product Mills	7,300	-12.4%	0.9	$ 30,282	96.8%	93.6%
3151	Apparel Knitting Mills	4,600	-12.0%	1.1	$ 30,655	93.3%	83.3%
3152	Cut & Sew Apparel Mfg	70,200	-26.1%	3.0	$ 26,540	97.4%	93.2%
3159	Apparel Accessories & Other Apparel Mfg	3,900	-18.0%	1.6	$ 36,651	90.7%	89.8%
3161	Leather & Hide Tanning & Finishing	300	-45.2%	0.4	$ 45,274	100.0%	95.8%
3162	Footwear Mfg	1,300	-10.8%	0.6	$ 26,247	92.7%	89.1%
3169	Other Leather & Allied Product Mfg	2,500	-41.7%	1.5	$ 27,244	96.4%	90.0%
3211	Sawmills & Wood Preservation	7,500	-8.0%	0.5	$ 44,795	75.9%	67.0%
3212	Veneer, Plywood & Eng. Wood Prod. Mfg	7,200	8.8%	0.5	$ 34,756	86.9%	70.6%
3219	Other Wood Product Mfg	23,900	-12.3%	0.6	$ 34,380	94.9%	87.5%
3221	Pulp, Paper & Paperboard Mills	3,000	-21.5%	0.2	$ 54,492	84.2%	68.4%
3222	Converted Paper Product Mfg	24,900	-15.3%	0.6	$ 49,177	83.2%	69.3%
3231	Printing & Related Support Activities	59,400	-21.2%	0.8	$ 42,079	97.8%	94.2%
3241	Petroleum & Coal Products Mfg	15,100	0.0%	1.2	$112,929	89.6%	83.5%
3251	Basic Chemical Mfg	5,700	-18.3%	0.3	$ 67,521	93.4%	84.5%
3252	Resin, Synth. Rubber, Artificial Fibers Mfg	4,700	0.1%	0.4	$ 45,138	94.7%	85.2%
3253	Pesticide, Fertilizer & Other Ag Chem Mfg	3,100	9.9%	0.7	$ 42,762	96.3%	89.9%
3255	Paint, Coating, & Adhesive Mfg	6,500	-3.9%	0.8	$ 52,165	93.1%	84.3%
3256	Soap, Cleaning Compd, & Toilet Prep Mfg	12,400	-10.3%	0.9	$ 56,329	93.5%	84.5%
3259	Other Chemical Product & Prep Mfg	7,900	7.7%	0.6	$ 46,557	93.8%	88.0%
3261	Plastics Product Mfg	49,100	-19.4%	0.7	$ 38,580	89.4%	77.2%
3262	Rubber Product Mfg	6,800	-13.8%	0.3	$ 34,663	92.6%	82.8%
3271	Clay Product & Refractory Mfg	4,800	-14.5%	0.7	$ 37,175	95.9%	89.1%
3272	Glass & Glass Product Mfg	9,500	-21.6%	0.8	$ 43,826	92.3%	87.0%
3273	Cement & Concrete Product Mfg	23,400	13.2%	0.8	$ 49,372	91.3%	80.5%
3274	Lime & Gypsum Product Mfg	2,100	2.3%	0.9	$ 50,304	96.1%	82.9%
3279	Other Nonmetallic Mineral Product Mfg	7,300	4.9%	0.8	$ 39,936	94.3%	88.1%
3311	Iron & Steel Mills & Ferroalloy Mfg	3,000	19.1%	0.3	$ 55,883	95.2%	91.1%
3312	Steel Product Mfg from Purchased Steel	3,100	-21.1%	0.4	$ 61,539	93.6%	80.8%
3313	Alumina & Aluminum Production & Proc.	6,300	-11.4%	0.7	$ 47,828	81.1%	69.8%
3314	Nonferrous Metal Production & Proc.	3,500	-10.7%	0.4	$ 44,286	88.9%	74.7%
3315	Foundries	9,100	-18.9%	0.5	$ 38,092	91.2%	80.1%
3321	Forging & Stamping	9,900	-13.5%	0.8	$ 47,236	90.9%	82.2%
3322	Cutlery & Handtool Mfg	3,500	-28.7%	0.6	$ 42,377	97.3%	91.6%
3323	Architectural & Structural Metals Mfg	35,800	-5.6%	0.8	$ 40,513	95.3%	87.0%
3324	Boiler, Tank, & Shipping Container Mfg	6,300	-9.0%	0.6	$ 52,991	90.5%	78.9%
3325	Hardware Mfg	4,300	-27.2%	1.0	$ 47,806	89.6%	77.1%
3326	Spring & Wire Product Mfg	3,700	-30.9%	0.5	$ 36,424	97.6%	91.7%
3327	Machine Shops Mfg	40,000	-7.6%	1.0	$ 44,380	98.4%	95.8%
3328	Coating, Engraving, Heat Treating Activ.	17,900	-25.4%	1.1	$ 34,800	98.6%	92.5%
3329	Other Fabricated Metal Product Mfg	18,400	-21.2%	0.6	$ 48,335	92.9%	86.3%

3331	Ag, Construction, & Mining Machinery Mfg	5,100	-15.0%	0.2	$ 47,573	95.2%	89.0%
3332	Industrial Machinery Mfg	15,600	-25.7%	1.1	$ 92,958	94.8%	87.0%
3333	Commercial & Svc Ind. Machinery Mfg	15,500	-35.0%	1.2	$ 70,668	92.9%	85.5%
3334	Ventil., Heatg, Air-Cond & Refrig. Mfg	5,900	-17.9%	0.3	$ 47,523	92.5%	86.9%
3335	Metalworking Machinery Mfg	13,200	-9.1%	0.6	$ 54,988	97.2%	94.1%
3336	Engine, Turbine & Transmissn Eqpmt Mfg	5,900	-3.7%	0.5	$ 77,065	87.8%	82.4%
3339	Other General Purpose Machinery Mfg	18,800	-18.8%	0.6	$ 55,672	94.5%	88.6%
3341	Computer & Peripheral Equipment Mfg	59,000	-29.6%	2.5	$134,917	84.1%	76.4%
3342	Communications Equipment Mfg	27,600	-34.6%	1.6	$ 92,713	86.7%	74.8%
3343	Audio & Video Equipment Mfg	8,700	-23.3%	2.3	$ 72,663	90.8%	81.6%
3344	Semiconductor & Other Elec Comp Mfg	108,800	-26.6%	2.1	$ 92,679	86.1%	75.1%
3345	Navigational, & Electr. Instruments Mfg	107,200	-9.2%	2.1	$ 90,015	87.1%	77.0%
3346	Mfg & Reprod. Magnetic, Optical Media	8,700	-37.3%	1.7	$ 75,314	94.9%	90.5%
3351	Electric Lighting Equipment M Mfg	8,100	-23.7%	1.2	$ 44,695	94.4%	84.0%
3352	Household Appliance Mfg	2,400	-14.9%	0.2	$ 39,258	91.4%	81.0%
3353	Electrical Equipment Mfg	8,900	-19.1%	0.5	$ 48,741	92.2%	84.0%
3359	Other Elec. Equipmt & Component Mfg	12,700	-31.3%	0.8	$ 52,807	89.6%	80.4%
3361	Motor Vehicle Mfg	8,800	11.7%	0.3	$ 70,386	77.5%	67.5%
3362	Motor Vehicle Body & Trailer Mfg	10,500	5.6%	0.5	$ 33,920	89.7%	76.8%
3363	Motor Vehicle Parts Mfg	20,200	-19.3%	0.3	$ 37,933	92.3%	85.5%
3364	Aerospace Product & Parts Mfg	72,700	-14.6%	1.4	$ 77,737	82.8%	72.7%
3371	Househld, Instit. Furn & Kit. Cabinet Mfg	39,900	-16.4%	0.9	$ 32,801	96.5%	92.4%
3372	Office Furniture (including Fixtures) Mfg	12,600	-28.3%	0.8	$ 37,645	96.1%	87.1%
3379	Other Furniture Related Product Mfg	7,400	0.4%	1.2	$ 32,435	87.7%	79.0%
	Production Totals	**1,353,600**	**-16.2%**	**0.9**	**$ 58,297**	**93.4%**	**86.7%**

* Employment rounded to nearest 100. Numbers may not add due to rounding.
** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

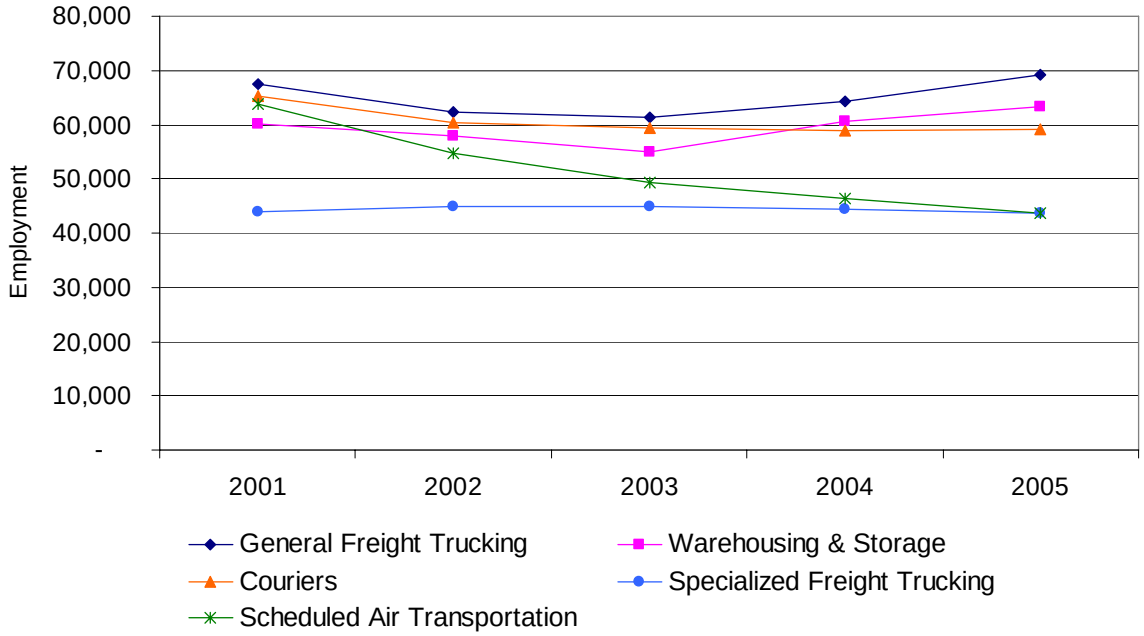
Logistics

The Logistics component of the Manufacturing Value Chain provided 18% of the cluster's jobs in 2005, but reported job losses of over 17,700 jobs from 2001 to 2005, down 4.5%. This decline was led by Scheduled Air Transportation, which lost almost 20,200 jobs during this period (-31.6%).

Within Logistics, the largest industry is General Freight Trucking, providing 69,300 jobs in 2005, and reporting job growth of 1,900 jobs (up 2.8%) from 2001 to 2005. The second largest industry is Warehousing & Storage, with 63,200 jobs in 2005, up 5.2% from 2001.

Figure 77 shows the employment change for the five largest industries within Logistics, from 2001 to 2005.

Figure 77 Logistics Top Five Industries Employment 2001-2005



California has a slightly lower concentration of Logistics jobs overall (1.1 LQ) than found at the national level; however, several industries within Logistics have higher concentration levels. Those with the highest concentrations include Rail Transportation (1.8 LQ), Postal Service (1.8 LQ), Local Messengers & Local Delivery (1.6 LQ), Support Activities for Water Transportation (1.6 LQ), and Support Activities for Road Transportation (1.5 LQ).

Overall, the average annual wage for the Logistics industries was $43,129 in 2005; this was up from $38,696 in 2001, an increase of 11.5%. This average is lower than the state's average wage for all private industry jobs ($45,686 in 2005), but a number industries within Logistics pay much higher. The highest is Pipeline Transportation of Crude Oil, at $94,390 in 2005, followed by Pipeline Transportation of Natural Gas ($83,524), Other Pipeline Transportation ($83,367), and Support Activities for Water Transportation ($82,211).

Figure 78 provides a summary of economic facts for the Logistics industries.

Figure 78 Manufacturing Value Chain - Logistics

NAICS	Industry	2005 Employmt*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
4811	Scheduled Air Transportation	43,612	-31.6%	0.8	$ 51,482	81.2%	68.4%
4812	Nonscheduled Air Transportation	3,962	5.5%	0.8	$ 58,864	96.5%	91.8%
4821	Rail Transportation	113	707.1%	1.8	$ 29,807	100.0%	100.0%
4831	Deep Sea, Coastal Water Transp.	3,401	28.6%	0.8	$ 75,346	88.8%	81.3%
4832	Inland Water Transportation	496	23.4%	0.2	$ 39,483	100.0%	94.4%
4841	General Freight Trucking	69,306	2.8%	0.6	$ 39,869	97.1%	92.7%
4842	Specialized Freight Trucking	43,793	-0.3%	0.9	$ 37,979	98.5%	95.9%
4861	Pipeline Transportation of Crude Oil	306	-10.0%	0.4	$ 94,390	91.7%	91.7%
4862	Pipeline Transp. of Natural Gas	1,159	-1.6%	0.4	$ 83,524	95.2%	95.2%
4869	Other Pipeline Transportation	722	26.4%	1.2	$ 83,367	97.7%	95.5%
4881	Support Activities for Air Transp.	16,810	15.7%	1.0	$ 33,662	93.9%	88.2%
4882	Support Activities for Rail Transp.	838	51.3%	0.3	$ 33,781	92.3%	84.6%
4883	Support Activities for Water Transp.	17,353	3.9%	1.6	$ 82,211	91.1%	84.4%
4884	Support Activities for Road Transp.	13,769	8.3%	1.5	$ 30,258	99.2%	97.6%
4885	Freight Transportation Arrangement	25,655	0.6%	1.2	$ 50,274	98.5%	94.1%
4889	Other Support Activities for Transp.	3,720	14.1%	1.1	$ 31,155	95.3%	89.3%
4911	Postal Service	702	97.2%	1.8	$ 41,826	98.9%	97.8%
4921	Couriers	59,222	-9.2%	1.0	$ 39,021	86.6%	77.1%
4922	Local Messengers & Local Delivery	8,658	-25.7%	1.6	$ 23,390	98.6%	94.5%
4931	Warehousing & Storage	63,207	5.2%	0.9	$ 39,481	91.5%	84.1%
	Logistics Totals	**376,804**	**-4.5%**	**0.9**	**$ 43,129**	**96.2%**	**91.7%**

* Employment rounded to nearest 100. Numbers may not add due to rounding.
** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

HEALTH SCIENCES & SERVICES

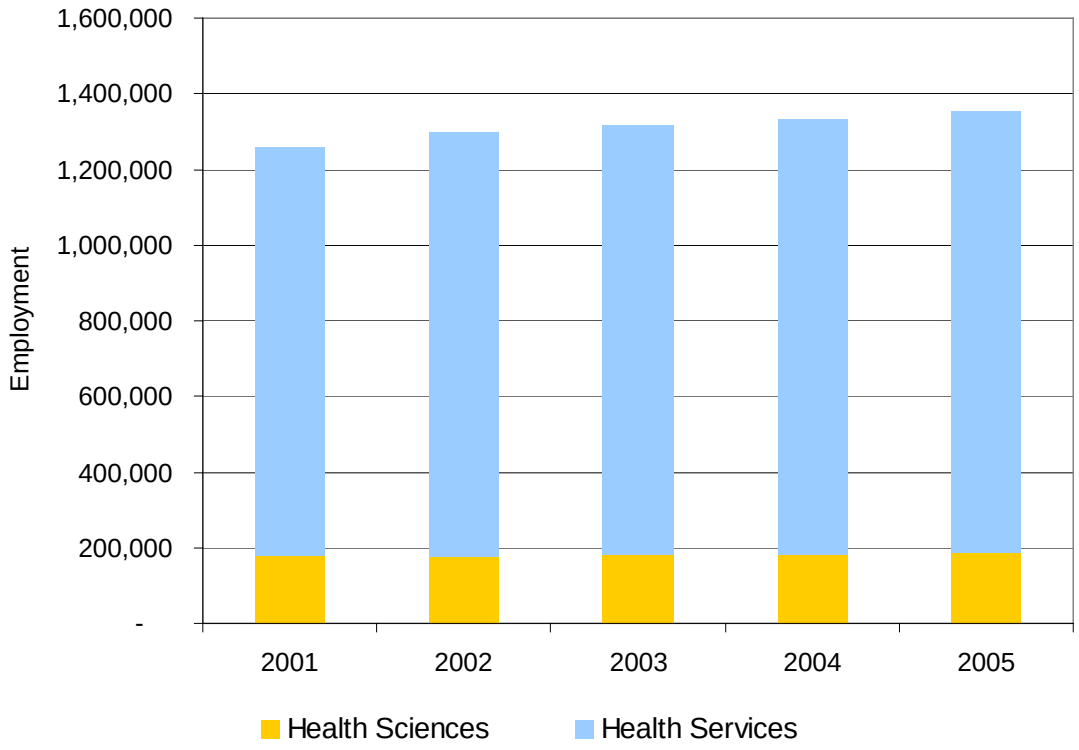
The Health Sciences and Services cluster integrates two critical components of the health industry: Health sciences include activities focused on the development of a body of knowledge through scientific research in medicine, pharmacology, biology, drug discovery, genomics, and many other areas. Health services focus on the delivery of health care to patients; employment in this sector is comprised of medical and support staff in many settings, including hospitals, clinics, care facilities, at home, and on-line.

The Health Sciences & Services cluster includes health care services, such as offices of physicians, dentists, other health practitioners and other outpatient care facilities; hospitals; laboratories; home health care; nursing care and other residential care facilities. It also includes community, emergency and other relief services; vocational rehabilitation services; and, death care services. Within health sciences, the cluster includes pharmaceutical and medicine manufacturing; medical equipment and supplies manufacturing; and, scientific research and development (R&D) services.

In 2005, the Health Sciences & Services cluster provided 1,356,600 jobs, almost 9% of all jobs in the state, and experienced overall growth of 97,800 jobs, or 7.8%, from 2001 to 2005. The

Health Services component of this cluster reported over 1,170,600 jobs in 2005, and the Health Sciences component reported almost 186,000 jobs. Health Services jobs grew by 8.5% from 2001 to 2005, and Health Sciences jobs grew by 3.4%.

Figure 79 Health Sciences & Services Employment 2001-2005

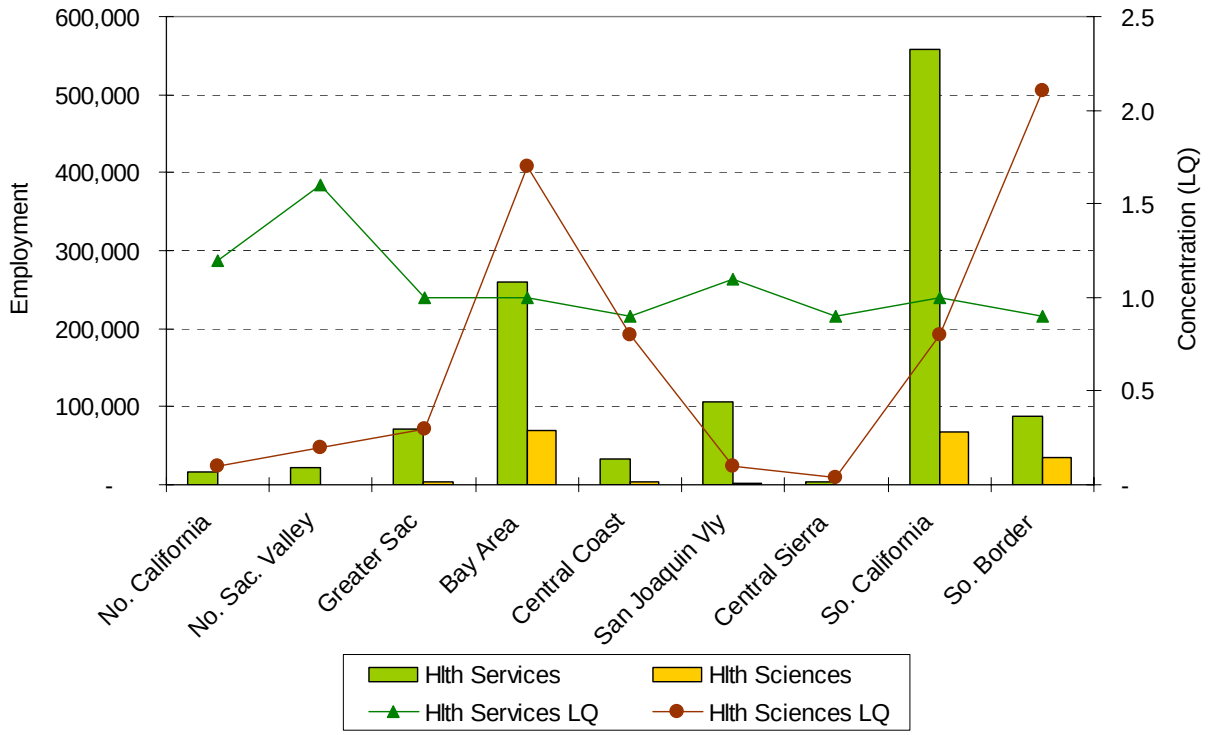


From a regional perspective, the highest concentration of Health Sciences jobs is found in the Southern Border Region, and the greatest number of Health Sciences jobs is found in the Bay Area Region.

The highest concentration of Health Services jobs is found in the Northern Sacramento Valley Region, and the greatest number of Health Services jobs is found in the Southern California Region.

Figure 80 shows the number and concentration of Health Sciences & Services jobs for each region.

Figure 80 Health Sciences & Services Employment & Concentration by Region



Size of Business

From 2001 to 2005, the percentage of Health Sciences & Services businesses with fewer than 100 employees remained constant, at 97.3% and 97.5% respectively. These businesses provided 45.3% of Health Sciences & Services employment in 2001, and 45.8% in 2005. In contrast, only 2.5% of the businesses in Health Sciences & Services employ 100 or more workers, and these businesses provide 54.2% of Health Sciences & Services jobs.

7

Figure 81 Distribution of Firms and Jobs in Health Sciences & Services by Size of Business in 2005

Size Category (# employees)	% of Firms	% of Employment*
0-4	53.6%	5.9%
5-9	23.2%	8.9%
10-19	11.6%	8.9%
20-49	6.4%	11.3%
50-99	2.6%	10.8%
100-249	1.7%	14.8%
250-499	0.4%	7.9%
500+	0.4%	31.5%

* Percentages do not add to 100% due to rounding.

Businesses with fewer than 50 employees provided 35% of all Health Sciences & Services jobs in 2005; in comparison, businesses with fewer than 50 employees provided 43.7% of all of the region's private industry jobs. Looking at the smallest firms, those with fewer than 10

employees provided 14.8% of all Health Sciences & Services jobs, and 15.1% of all private industry jobs.

Health Sciences reported 93.4% of its firms as being businesses with fewer than 100 employees in 2005; Health Services reported 97.8%.

Figure 82 provides a summary of facts for the Health Sciences & Services cluster components.

Figure 82 Health Sciences & Services

Component	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
Health Sciences	186,000	3.4%	1.4	$ 91,553	93.4%	88.2%
Health Services	1,170,600	8.5%	0.8	$ 46,032	97.8%	95.4%
Health Sciences & Svcs Totals	**1,356,600**	**7.8%**	**0.8**	**$ 52,273**	**97.5%**	**94.9%**

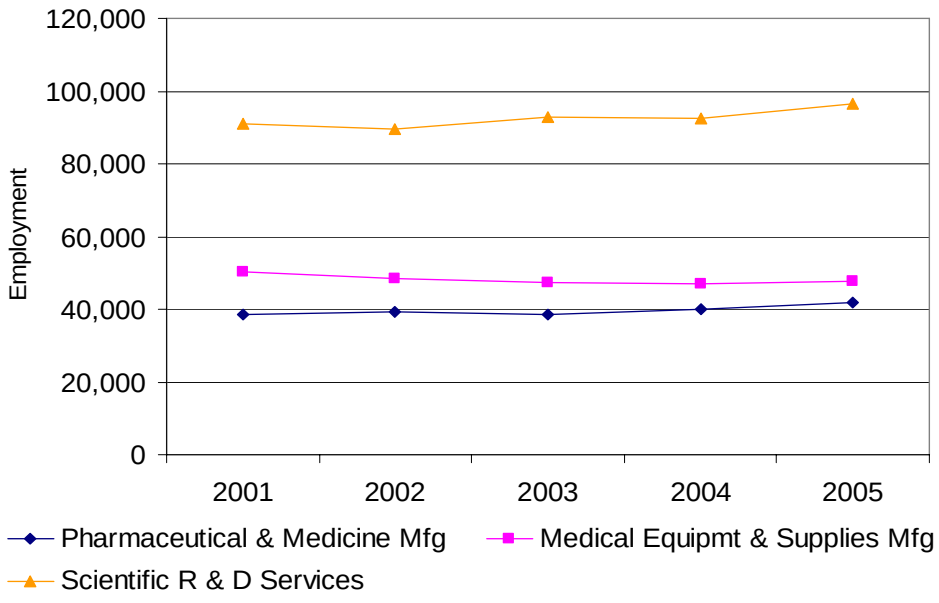
* Employment rounded to nearest 100. Total employment may not equal sum of components due to rounding or suppression.
** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

Health Sciences

Health Sciences is the smaller of the two components in the region's Health Sciences & Services cluster, reporting almost 186,000 jobs in 2005. Health Sciences experienced job growth of almost 6,100 jobs from 2001 to 2005, an increase of 3.4%.

The largest industry within Health Sciences is Scientific Research & Development Services, which reported almost 96,500 jobs in 2005; this industry grew by 5,500 jobs from 2001 to 2005, or just over 6%. **Figure 83** shows employment change for the Health Sciences industries from 2001 to 2005.

Figure 83 Health Sciences Industries Employment 2001-2005



California has a higher concentration of Health Sciences jobs than found at the statewide level (1.4 LQ), and has a competitive advantage in this area.

The average annual wage for Health Sciences was $91,553 in 2005, up $19,983 or about 28% since 2001. Health Sciences jobs pay better than the regional average for all private industry of $45,686. Within Health Sciences, Pharmaceutical & Medicine Manufacturing reported the highest average annual wage at $122,205, up 50% since 2001.

Figure 84 provides a summary of economic facts for the Health Sciences industries.

Figure 84 Health Sciences & Services Cluster - Health Sciences

NAICS	Industry	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
3254	Pharmaceutical & Medicine Mfg	41,745	8.4%	1.2	$ 122,205	82.9%	72.5%
3391	Medical Equipment & Supplies Mfg	47,766	-5.3%	1.4	$ 63,464	94.6%	91.6%
5417	Scientific R & D Svcs	96,476	6.1%	1.5	$ 92,197	94.1%	88.1%
	Health Sciences Totals	**185,987**	**3.4%**	**1.4**	**$ 91,553**	**93.4%**	**88.2%**

* Employment rounded to nearest 100. Numbers may not add due to rounding.
** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

Health Services

Health Services is the largest component of the Health Sciences & Services cluster. Health Services reported 1,170,600 jobs in 2005; this represented growth of over 91,700 jobs since 2001, up 8.5%.

Within the cluster, the General Medical & Surgical Hospitals industry provides the most jobs, with over 358,200 jobs in 2005; this was an increase of almost 40,600 5,900 jobs, or almost 13%, from 2001-2005. Second, Offices of Physicians reported 214,800 jobs in 2005; however, this industry reported 2,100 in job losses, down 1% during the period. Third, Offices of Dentists reported over 108,300 jobs in 2005, and gained almost 10,300 jobs from 2001 to 2005, up 10.5%.

The greatest number of jobs lost was reported by Residential Mental Health & Substance Abuse Facilities, with a loss of almost 9,100 jobs from 2001 to 2005 (down 16.3%); this also represented the greatest percentage of job losses for that period.

Figure 85 shows the employment change from 2001 to 2005 for the five largest Heath Services industries. **Figure 86** shows employment change for the remaining industries. Two charts were used in an effort to make the charts easier to read.

Figure 85 Health Services Top Five Industries Employment 2001-2005

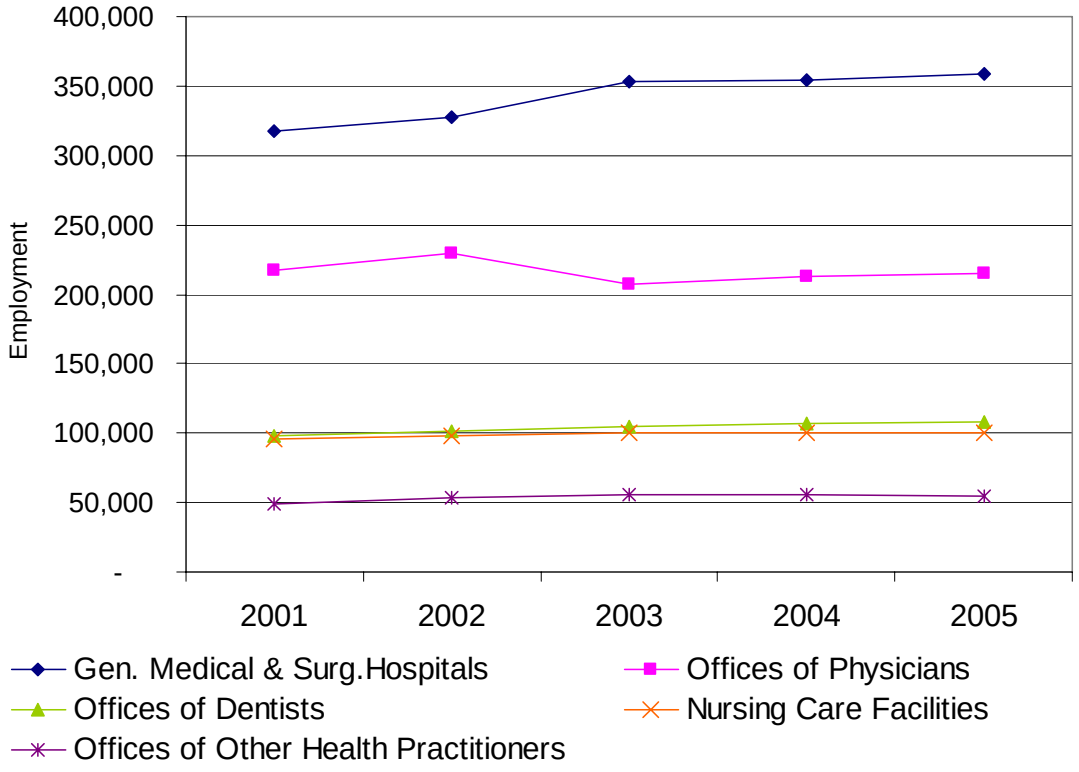
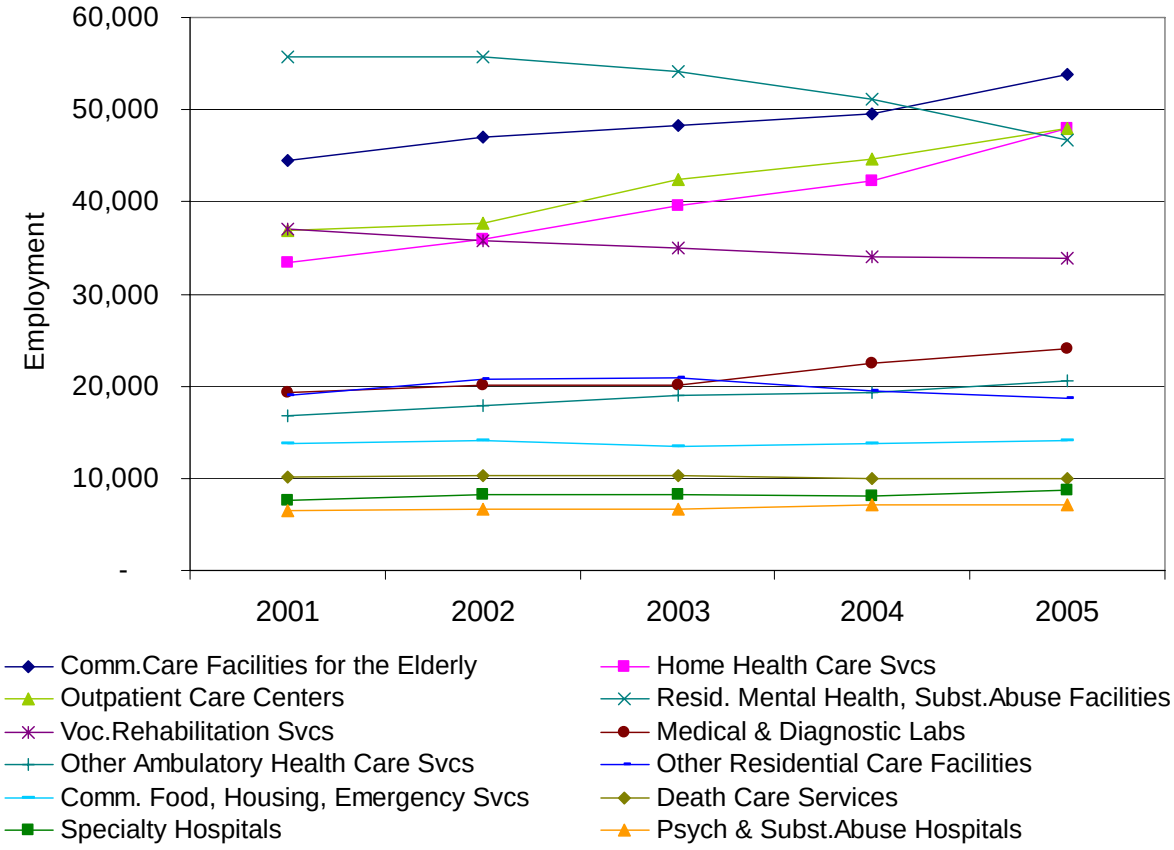


Figure 86 Health Services Remaining Industries Employment 2001-2005



California has a slightly lower concentration of Health Services jobs than found at the national level (0.8 LQ); however, within this sector, Offices of Dentists and Medical & Diagnostic Laboratories both have higher concentrations than nationally, at 1.2 LQ and 1.1 LQ respectively.

The average annual wage for Health Services was $46,032 in 2005, up $8,189 or 21.6% since 2001. Overall, Health Services jobs pay just slightly higher than the state average for all private industry of $45,686. Within Health Services, the Offices of Physicians industry reported the highest average wage of $64,608, while the Vocational Rehabilitation Services industry reported the lowest average wage of $21,243.

Figure 87 provides a summary of economic facts for the Health Services industries.

Figure 87 Health Sciences & Services Cluster - Health Services

NAICS	Industry	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
6211	Offices of Physicians	214,796	-1.0%	0.9	$ 64,608	99.3%	98.1%
6212	Offices of Dentists	108,343	10.5%	1.2	$ 39,179	99.9%	99.8%
6213	Offices of Other Health Practitioners	55,064	11.4%	0.9	$ 31,648	99.8%	99.3%
6214	Outpatient Care Centers	47,911	29.9%	0.9	$ 46,731	95.8%	88.8%
6215	Medical & Diagnostic Labs	24,139	24.5%	1.1	$ 50,418	97.5%	94.7%
6216	Home Health Care Services	47,983	43.4%	0.5	$ 30,590	93.7%	82.4%
6219	Other Ambulatory Health Care Svcs	20,541	22.9%	0.9	$ 40,192	89.5%	78.9%
6221	Gen. Medical & Surgical Hospitals	358,247	12.8%	0.8	$ 57,306	51.3%	43.8%
6222	Psych. & Subst. Abuse Hospitals	7,182	9.9%	0.7	$ 37,287	82.0%	73.8%
6223	Specialty Hospitals	8,695	13.7%	0.5	$ 46,682	76.8%	73.7%
6231	Nursing Care Facilities	100,775	5.0%	0.6	$ 27,004	63.8%	30.4%
6232	Residential Mental Health & Substance Abuse Facilities	46,652	-16.3%	0.8	$ 24,455	96.4%	91.7%
6233	Community Care Facilities for Elderly	53,750	20.7%	0.8	$ 23,081	96.5%	89.4%
6239	Other Residential Care Facilities	18,715	-1.3%	1.0	$ 25,540	95.8%	91.6%
6242	Community Food, Housing, Emergency & Other Relief Svcs	14,033	1.5%	0.9	$ 28,128	98.2%	93.3%
6243	Vocational Rehabilitation Services	33,818	-8.6%	0.9	$ 21,243	94.5%	88.1%
8122	Death Care Services	9,980	-1.6%	0.6	$ 37,550	99.4%	97.3%
	Health Services Totals	1,170,624	8.5%	0.8	$ 46,032	**97.8%**	**95.4%**

* Employment rounded to nearest 100. Numbers may not add due to rounding.
** LQ (Location Quotient) represents the concentration; for the statewide economic base report, this represents the percentage of the state's jobs found in an industry compared to percentage found in that industry at the national level.

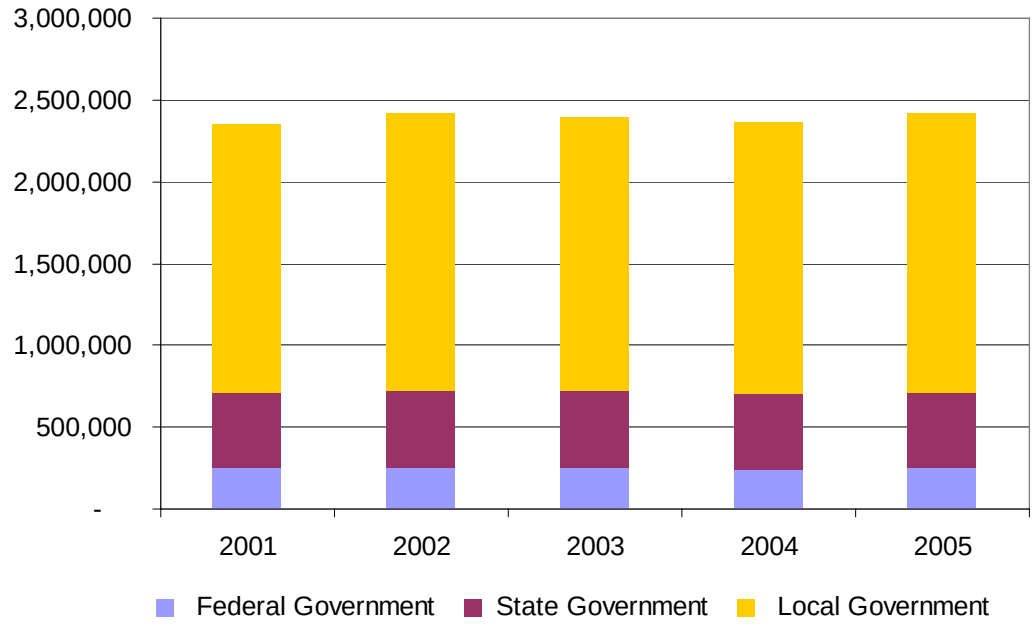
ALL GOVERNMENT

All Government includes federal, state and local government jobs. Jobs in public education are reported in the state and local government sectors. Government jobs also include defense (reported at the federal level), law enforcement, firefighting and public services.

All Government continues to provide the greatest number of jobs for the state. This industry provided 2,416,500 jobs for the state in 2005, almost 16% of all jobs. From 2001 to 2005, All Government grew by almost 67,000 jobs, or almost 3%, while total private industry grew by 4%. Local Government is the largest public sector, with 1,702,800 jobs in 2005; in contrast, State Government reported 463,300 jobs, and Federal Government reported 250,400 jobs.

During this period, Local Government (including education) added the most jobs, up 55,080 jobs or 3.3%; State Government added 4,840 jobs, up 1.1%; and Federal Government experienced slight job gains of 600 jobs, up 0.2%. One reason for the State and Local Government job growth from 2001 to 2005 may be the population growth during that same period of 4.6%, or almost 1,603,700 people, since State and Local Government includes education, law enforcement and firefighters, as well as other public services that may experience an increase in demand as the population increases. **Figure 88** shows employment change for the federal, state and local public sectors.

Figure 88 All Government Employment 2001-2005



All Government average annual wages include the wages for a broad spectrum of jobs, including elected officials and executive branch, judicial, defense, law enforcement, firefighting, education and other public administration jobs. The industry's average annual wage for the region in 2005 was $49,091. Within All Government, the average annual wage for Federal Government was $59,672; the average for State Government was $52,324; and, the average annual wage for Local Government was $46,656.

From a regional perspective, the highest concentration of All Government jobs is found in the Central Sierra Region, and the greatest number of All Government jobs is found in the Southern California Region.

Figure 89 shows the number and concentration of All Government jobs for each region.

Figure 89 All Government Employment & Concentration by Region

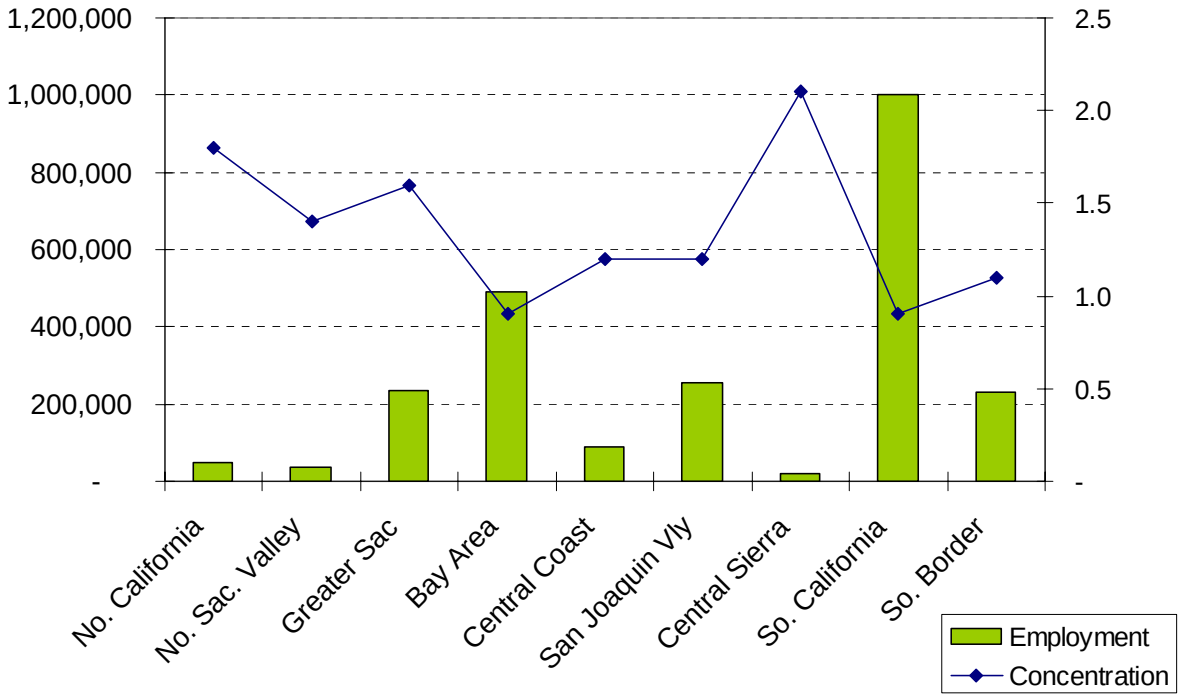


Figure 90 shows employment for each level of government from 2001-2005.

Figure 90 All Government

	2001	2002	2003	2004	2005
All Government	2,349,520	2,414,590	2,391,250	2,359,010	2,416,500
Federal Government	249,800	249,330	250,770	244,650	250,400
Department of Defense	52,260	51,980	51,870	51,260	54,600
Other Federal Government	175,840	175,750	176,020	171,630	195,800
State Government	458,460	469,970	469,480	459,100	463,300
State Government Education	202,420	209,780	212,100	208,650	208,200
Other State Government	284,300	289,800	287,370	279,630	255,100
Local Government	1,647,720	1,701,240	1,677,060	1,660,590	1,702,800
Local Government Education	863,300	891,600	865,700	853,300	940,800
Other Local Government	649,100	671,400	673,600	667,200	685,000

Source: California Employment Development Department
Some government employment may be suppressed due to confidentiality requirements.

THE REGIONAL COMPOSITIONS AT-A-GLANCE

When making public policy, establishing laws and taking other actions that affect the economy, it is important to remember that each region is unique in its industry composition, so those actions will have a varying degree of impact on the regional economies. A particular industry or cluster may be critical to one region while not being as significant to another; only some industries and clusters are of importance to all of the regions. This is why, as seen in past recessions, some regions are harder hit than others by such actions. For example, during the recent recession, the Bay Area Region was hardest hit due to the losses in the technology-based industries; the recession was "centered" in the Bay Area Region. The region bore great job losses, while many of the other regions actually reported job growth during the recession period.

In addition to the regional share of the state's total jobs for an industry or cluster, another key factor when determining the potential regional impact is the share of the region's total jobs that the targeted industry provides. Without taking this into consideration, the full regional impact of change in a particular industry may be masked, especially if that region is relatively small.

Figure 91 through **Figure 99** provide information on the top ten major industry sectors, by employment size, for each region at-a-glance through the use of bubble charts. Refer to the regional economic base reports for a detailed analysis of each region.

Interpreting the charts:

- Bubble size: The size of the bubble represents the employment size of the industry in the region (number of jobs).
- Horizontal placement of bubble: The position from left to right indicates the employment change – to the left of zero means job losses, and to the right means job growth. The net change is graphed as a percentage.
- Vertical placement of bubble: The vertical position indicates the concentration of the industry in the region; the higher the bubble, the greater the concentration. A concentration greater than 1.0 means the region has a higher concentration of jobs in that industry than is found statewide. Industries highly concentrated in a region are important to the region, even if they are not the largest in employment size.
- Bubble color: The color representing a particular industry or cluster remains constant throughout all of the regional charts.

[The following regional profiles will be completed after all regional reports are completed.]

THE NORTHERN CALIFORNIA REGION

The Northern California Region includes eleven counties — Del Norte, Humboldt, Lake, Lassen, Mendocino, Modoc, Nevada, Plumas, Sierra, Siskiyou and Trinity.

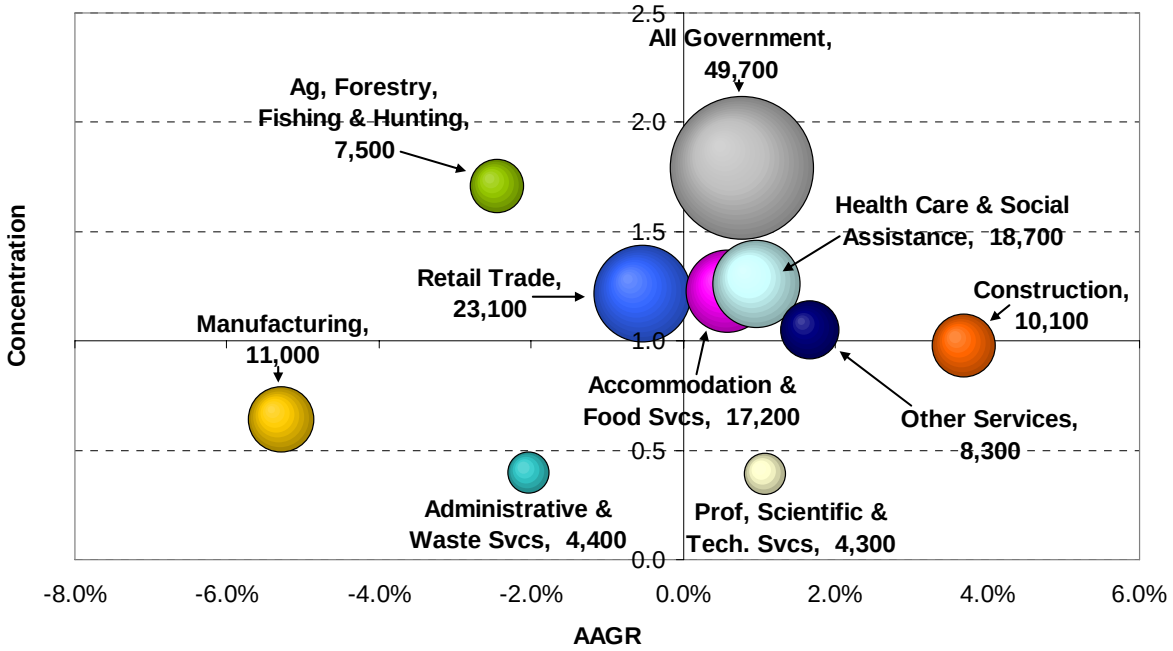
Highlights regarding employment change from 2001 to 2005:

- Since the recent recession, job growth has fluctuated in the region, with a slight overall gain of 0.1%; government jobs grew by 3.1%, while private industry jobs fell by 1%.
- The fastest growing major sectors were Utilities, Educational Services, Construction, Other Services, and Professional, Scientific & Technical Services.
- The region ranked eighth in employment growth among the nine regions for this period.
- The traditional economic base industries reported overall job losses of 7.5% from 2001 to 2005.
- The Resource Based sector is the largest component of the region's economic base, followed by Tourism & Entertainment; Professional, Business & Information Services; and Diversified Manufacturing.

Highlights for the ten largest industry sectors in the Northern California Region:

- All Government was the largest sector and had the highest concentration.
- Agriculture, Forestry, Fishing & Hunting had the second highest concentration, followed by Health Care & Social Assistance.
- Construction and Other Services reported the fastest growth rates.
- Six of the ten largest sectors reported job growth from 2001 to 2005.
- Manufacturing reported the highest percentage of job losses, followed by Agriculture, Forestry, Fishing & Hunting and Administrative & Waste Services.

Figure 91 Northern California Region At-A-Glance: Top Ten Industries



THE NORTHERN SACRAMENTO VALLEY REGION

The Northern Sacramento Valley Region includes five counties — Butte, Colusa, Glenn, Shasta and Tehama.

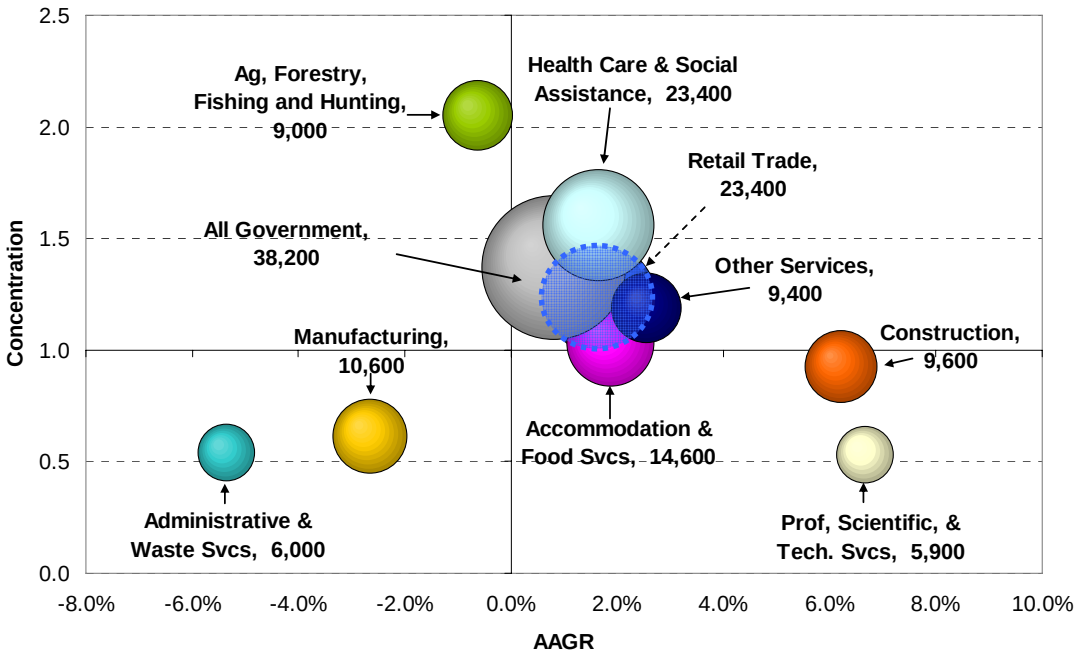
Highlights regarding employment change from 2001 to 2005:

- The region experienced job growth of 3.8%; private industry jobs increase by 4% and Government jobs increased by 3.3%.
- The fastest growing major sectors were Professional, Scientific & Technical Services, Construction, Finance & Insurance, Wholesale Trade, and Other Services.
- The Northern Sacramento Valley Region ranked sixth in employment growth among the nine regions for this period, and third in population growth.
- The economic base industries reported overall job growth of 1%.
- The Resource Based sector is the largest component of the region's economic base, followed by Professional, Business & Information Services; Diversified Manufacturing; and, Wholesale Trade & Transportation.

Highlights for the ten largest industry sectors in the Northern Sacramento Valley Region:

- All Government was the largest sector, with a higher concentration than statewide.
- Agriculture, Forestry, Fishing & Hunting had the highest concentration, followed by Health Care & Social Assistance.
- Professional, Scientific & Technical Services and Construction reported the fastest growth rates.
- Seven of the ten largest sectors reported job growth from 2001 to 2005.
- Administrative & Waste Services reported the highest percentage of job losses, followed by Manufacturing.

Figure 92 Northern Sacramento Valley Region At-A-Glance: Top Ten Industries



THE GREATER SACRAMENTO REGION

The Greater Sacramento Region includes six counties — El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba.

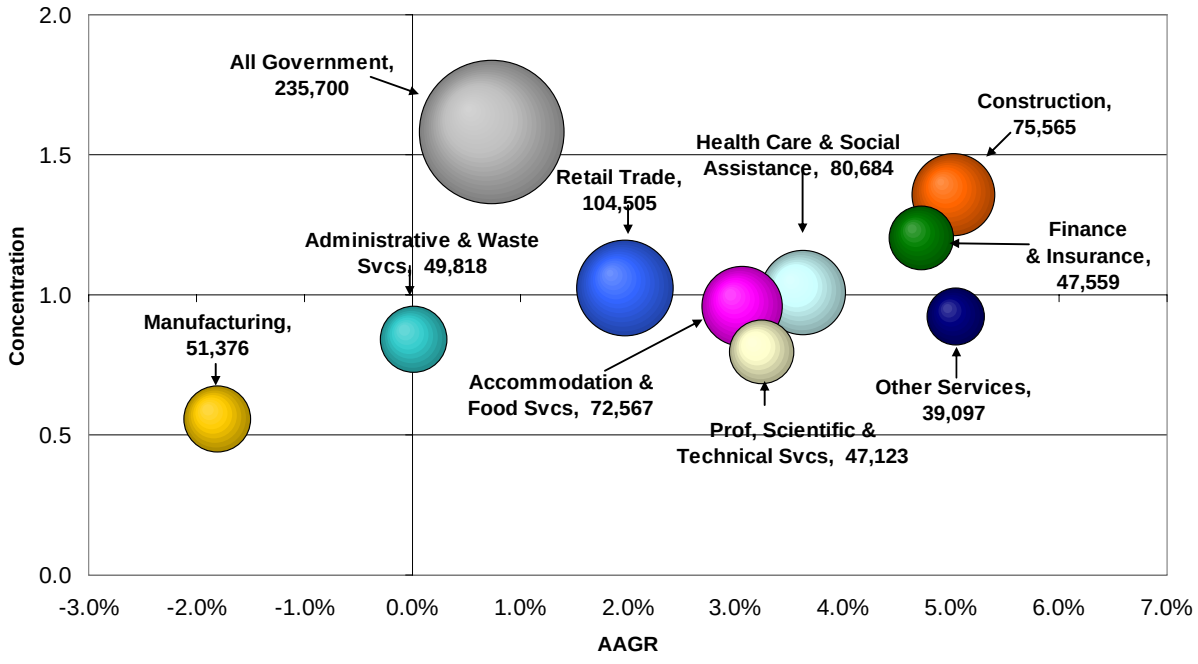
Highlights regarding employment change from 2001 to 2005:

- The region reported job growth of 7.4% for the period 2001-2005, compared to 3.8% for the state.
- The fastest growing major sectors were Educational Services, Other Services, Construction, Finance & Insurance, and Real Estate.
- The region continues to report the highest job growth rate among the state's nine regions during 2001-2005, as it did from 1990-2002.
- The traditional economic base industries reported overall job losses of 2.6%.
- The Professional, Business & Information Services sector is the largest component of the region's economic base, followed by Wholesale Trade & Transportation, Tourism & Entertainment, and High Tech Manufacturing.

Highlights for the ten largest industry sectors in the Greater Sacramento Region:

- All Government was the largest sector and also had the highest concentration.
- Second in size was Retail Trade, followed by Health Care & Social Assistance.
- Other Services and Construction reported the fastest growth rate, while Manufacturing reported the greatest losses.
- All Government shows the highest concentration, followed by Construction and Finance & Insurance.
- Nine of the ten largest sectors reported job growth from 2001 to 2005. Only Manufacturing reported job losses.

Figure 93 Greater Sacramento Region At-A-Glance: Top Ten Industries



THE BAY AREA REGION

The Bay Area Region includes eleven counties — Alameda, Contra Costa, Marin, Napa, San Benito, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma.

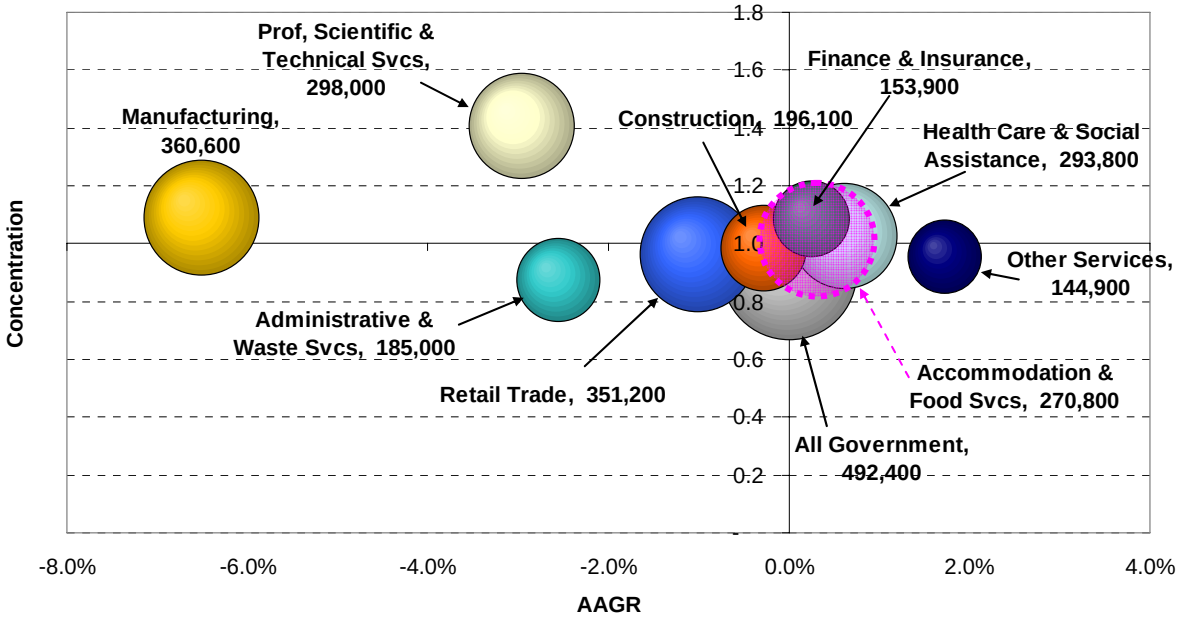
Highlights regarding employment change from 2001 to 2005:

- The Bay Area Region was the hardest hit by the 2001 recession, and experienced net job losses of 7.5% from 2001 to 2005; private industry jobs decreased by 8.7% and government jobs reported no net change.
- The fastest growing major sectors were Educational Services, Other Services, Health Care & Social Assistance, Accommodation & Food Services, and Finance & Insurance.
- The region ranked lowest in employment growth among the nine regions.
- The traditional economic base reported job losses of 17.8%; all seven sectors reported losses.
- The Professional, Business & Information Services sector is the largest component of the region's economic base, followed by High Tech Manufacturing, Wholesale Trade & Transportation, and Tourism & Entertainment.

Highlights for the ten largest industry sectors in the Bay Area Region:

- All Government was the largest sector, followed by Manufacturing, then Retail Trade.
- Other Services reported the fastest growth rate, while Manufacturing reported the greatest losses.
- Professional, Scientific & Technical Services shows the highest concentration and is the fourth largest in employment size; but reported the second highest rate of job losses.
- Only four of the ten largest sectors reported job growth from 2001 to 2005. Listed in order of AAGR, these were Other Services, Health Care & Social Assistance, Accommodation & Food Services, and Finance & Insurance.

Figure 94 Bay Area Region At-A-Glance: Top Ten Industries



THE CENTRAL COAST REGION

The Central Coast Region includes three counties — Monterey, San Luis Obispo and Santa Barbara.

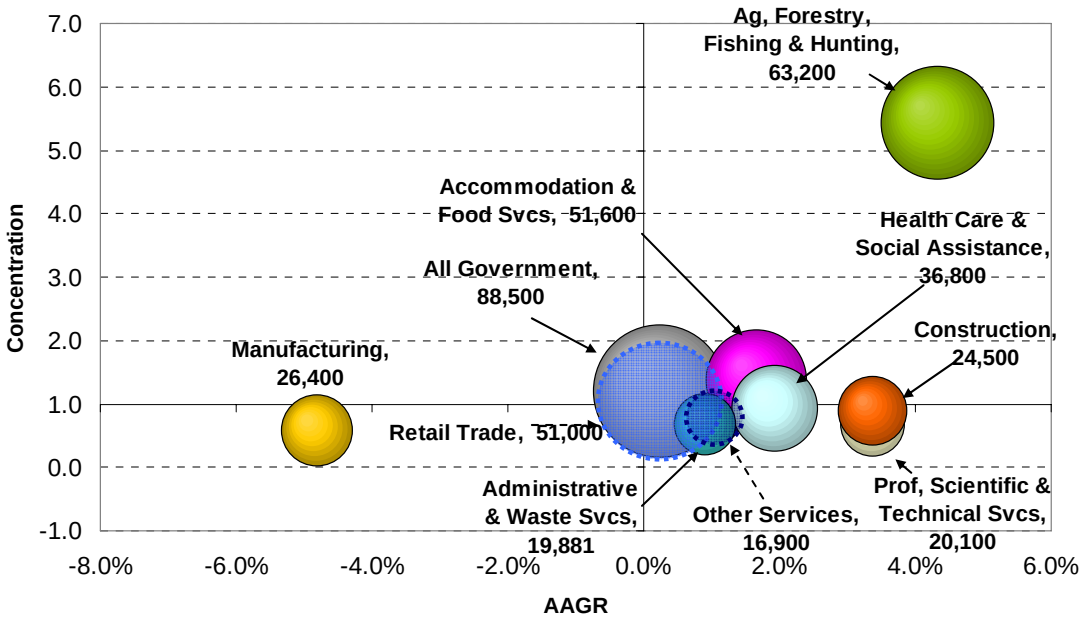
Highlights regarding employment change from 2001 to 2005:

- The region experienced job growth of 3.5%; private industry jobs increase by 4.1% and Government jobs increased by 0.9%.
- The fastest growing major sectors were Agriculture, Forestry, Fishing & Hunting; Construction; Professional, Scientific & Technical Services; Health Care & Social Assistance; and, Arts, Entertainment & Recreation.
- The region ranked seventh in employment growth among the nine regions.
- The region's traditional economic base industries reported job growth of about 6%.
- The Resource Based sector is the largest component of the region's economic base, followed by Professional, Business & Information Services, Tourism & Entertainment, and Wholesale Trade & Transportation.

Highlights for the ten largest industry sectors in the Central Coast Region:

- Agriculture, Forestry, Fishing & Hunting had the highest concentration.
- All Government was the largest sector, but with modest growth and only a slightly higher concentration than found statewide.
- Agriculture, Forestry, Fishing & Hunting reported the fastest growth, followed by Construction and Professional, Scientific & Technical Services.
- Manufacturing was the only sector of the ten largest to experience job losses from 2001 to 2005.
- Nine of the ten largest sectors reported job growth from 2001 to 2005.

Figure 95 Central Coast Region At-A-Glance: Top Ten Industries



THE SAN JOAQUIN VALLEY REGION

The San Joaquin Valley Region includes eight counties — Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus and Tulare.

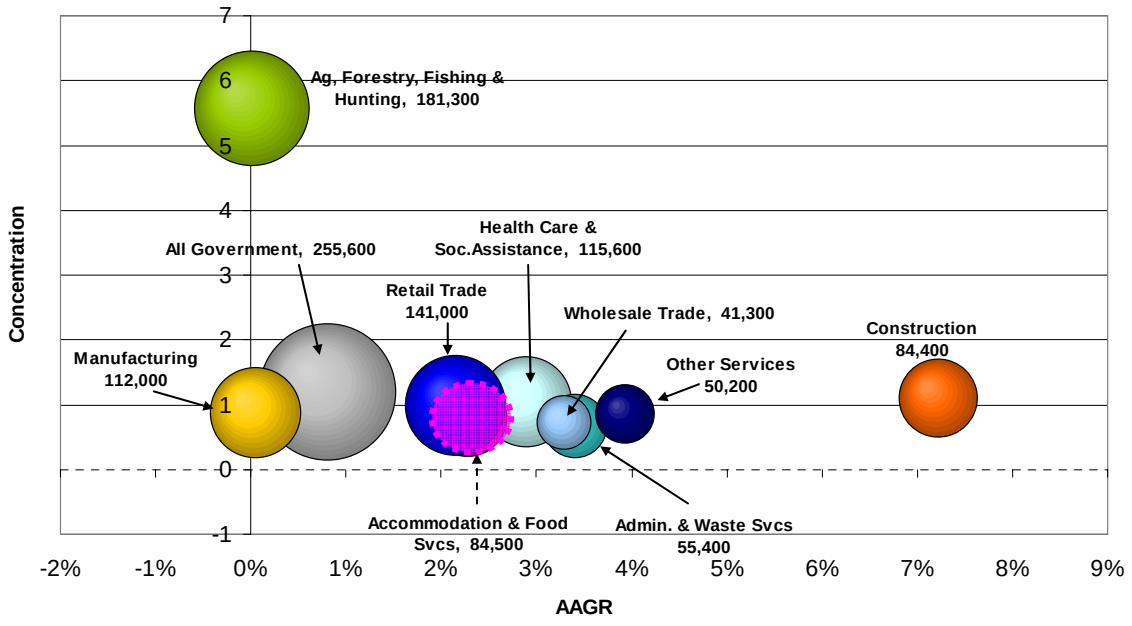
Highlights regarding employment change from 2001 to 2005:

- The region experienced job growth of 7.2%; private industry jobs increased by 8.2% and government jobs increased by 3.3%.
- The fastest growing major sectors were Construction; Educational Services; Professional, Scientific & Technical Services; Other Services; and, Administrative & Waste Services.
- The region ranked second in employment growth among the nine regions.
- The region's traditional economic base industries reported overall job growth of 0.7%.
- The Resource Based sector is the largest component of the region's economic base, followed by Professional, Business & Information Services; Wholesale Trade & Transportation; and, Diversified Manufacturing.

Highlights for the ten largest industry sectors in the San Joaquin Valley Region:

- All Government was the largest sector, followed by Agriculture, Forestry, Fishing & Hunting.
- Agriculture, Forestry, Fishing & Hunting (primarily composed of Agriculture-related jobs) shows the highest concentration and is the second largest in employment size; however, growth was less than 1% from 2001 to 2005. The other nine industries displayed have concentrations very close to the statewide level.
- Construction reported the highest percentage of job growth, followed by Other Services and Administrative & Waste Services.
- All ten sectors reported job growth.

Figure 96 San Joaquin Valley Region At-A-Glance: Top Ten Industries



THE CENTRAL SIERRA REGION

The Central Sierra Region includes seven counties — Alpine, Amador, Calaveras, Inyo, Mariposa, Mono and Tuolumne.

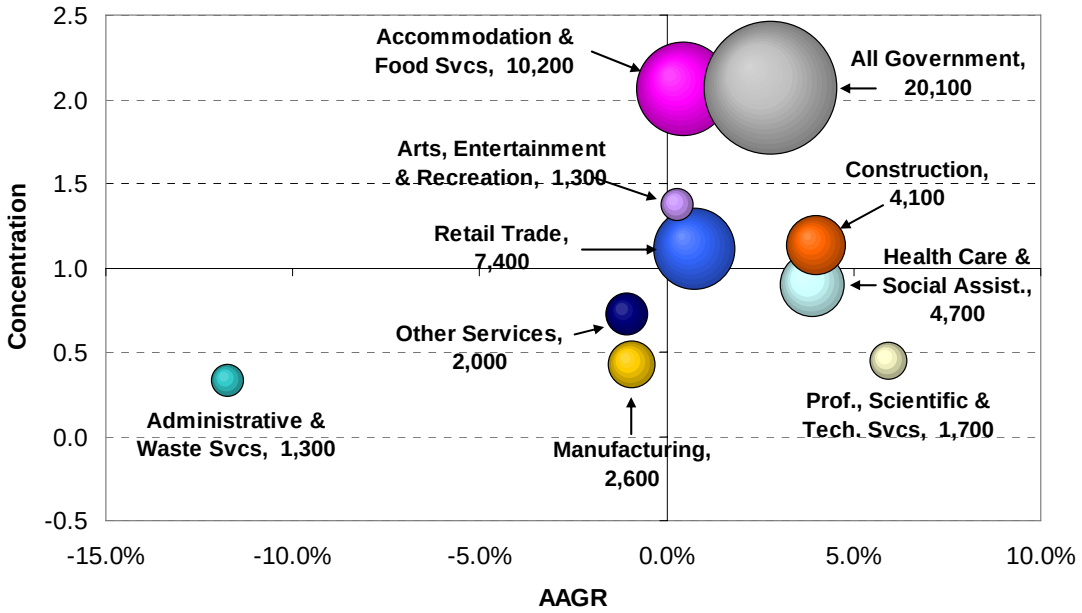
Highlights regarding employment change from 2001 to 2005:

- The region experienced job growth of 5.5%; private industry jobs increased 2.8% and government jobs increased 11.5%.
- The fastest growing major sectors were Professional, Scientific & Technical Services; Information; Construction; Health Care & Social Assistance; and, Transportation & Warehousing.
- The region ranked fourth in overall employment growth among the nine regions.
- The region's traditional economic base industries reported overall job losses of 3.7%.
- Tourism & Entertainment is the largest component of the economic base, followed by Professional, Business & Information Services, Federal Government; and the Resource Based sector.

Highlights for the ten largest industry sectors in the Central Sierra Region:

- All Government was the largest sector, followed by Accommodation & Food Services.
- All Government and Accommodation & Food Services had the highest concentrations, followed by Arts, Entertainment & Recreation.
- Professional, Scientific & Technical Services reported the fastest growth, followed by Construction and Health Care & Social Assistance.
- Administrative & Waste Services reported the greatest percentage of job losses, followed by Other Services and Manufacturing.
- Seven of the ten largest sectors reported job growth from 2001 to 2005.
- Five of the ten largest sectors have lower concentrations than found statewide.

Figure 97 Central Sierra Region At-A-Glance: Top Ten Industries



THE SOUTHERN CALIFORNIA REGION

The Southern California Region includes five counties — Los Angeles, Orange, Riverside, San Bernardino and Ventura.

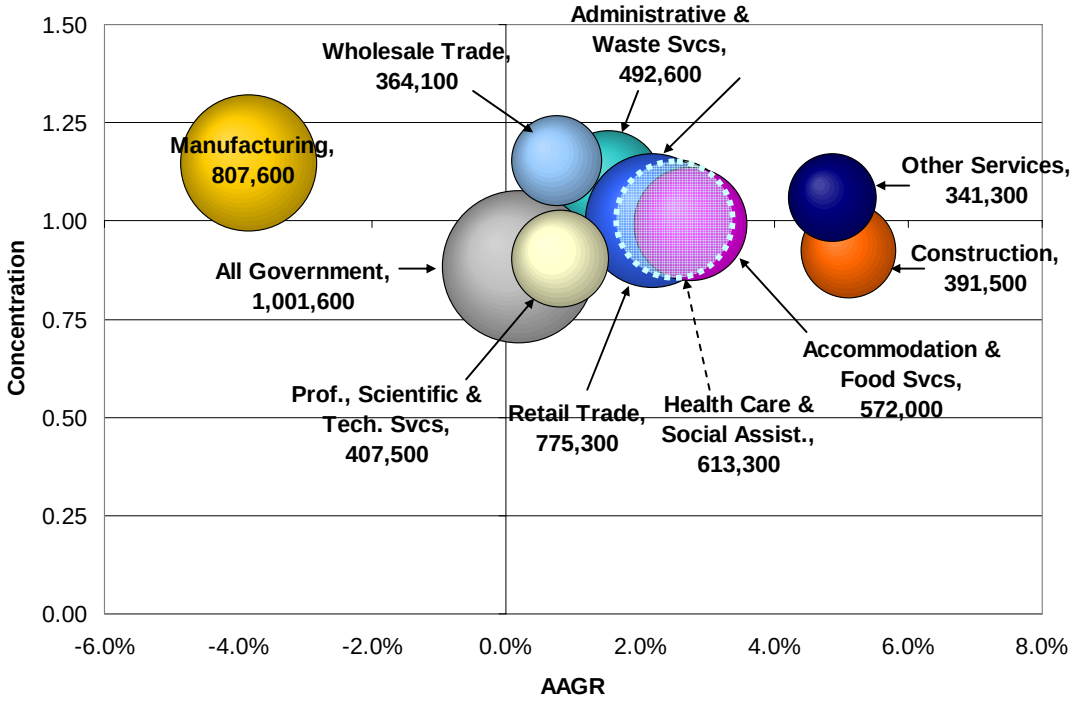
Highlights regarding employment change from 2001 to 2005:

- The region experienced net job growth of 4.3%; private industry jobs grew by 4.9% and government jobs grew by 0.7%.
- The fastest growing major sectors were Construction, Other Services, Finance & Insurance, Utilities and Educational Services.
- The region ranked fifth in employment growth among the nine regions for this period.
- The region's economic base industries reported overall job losses of 2.5%.
- The Professional, Business & Information Services sector is the largest component of the region's economic base, followed by Wholesale Trade & Transportation, Tourism & Entertainment, and Diversified Manufacturing.

Highlights for the ten largest industry sectors in the Southern California Region:

- All Government was the largest sector but with a lower concentration than statewide.
- Second in size was Manufacturing, with the highest concentration of the top ten sectors, but experiencing the greatest percentage of job losses during this period.
- Construction and Other Services reported the fastest growth rates.
- Manufacturing and Wholesale Trade reported the highest concentrations of the top ten sectors.
- Nine of the ten largest sectors reported job growth from 2001 to 2005. Only Manufacturing reported job losses.

Figure 98 Southern California Region At-A-Glance: Top Ten Industries



THE SOUTHERN BORDER REGION

The Southern Border Region includes two counties — Imperial and San Diego.

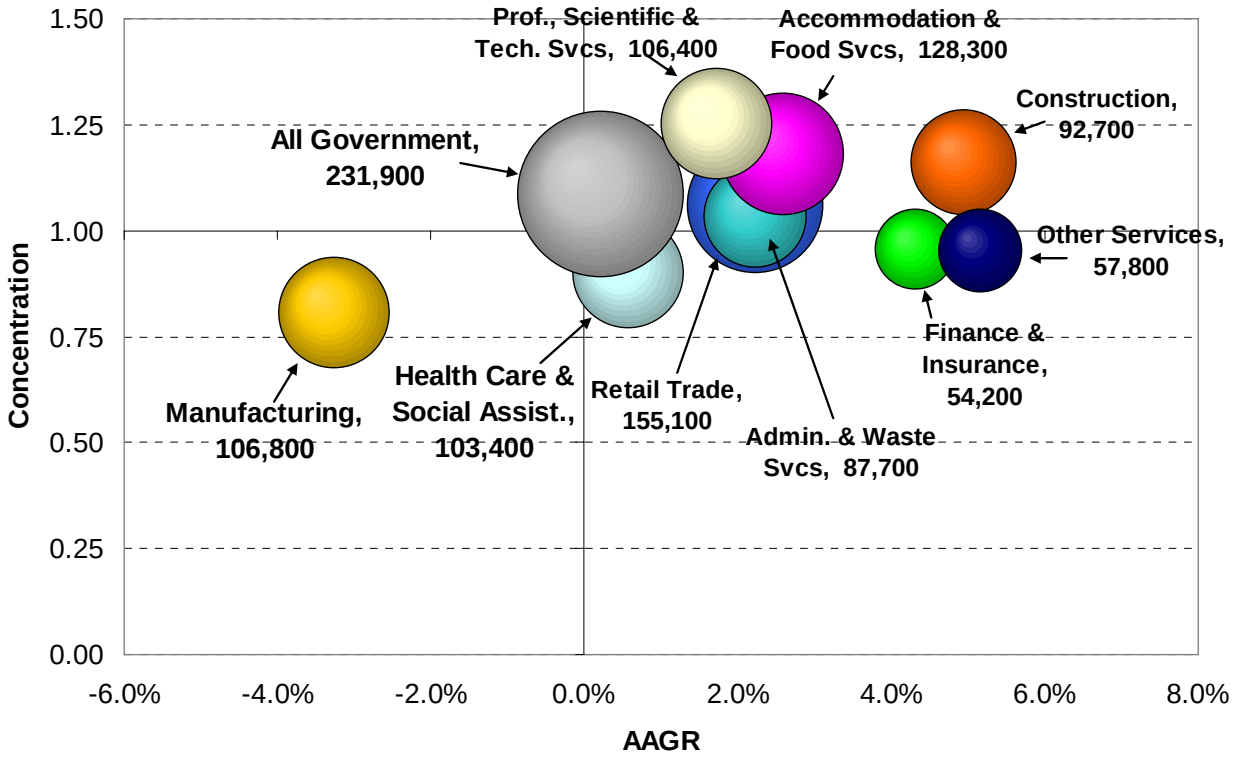
Highlights regarding employment change from 2001 to 2005:

- The region experienced job growth of 5.7%; private industry jobs increase by 6.8% and government jobs increased by 0.9%.
- The fastest growing major sectors were Educational Services; Arts, Entertainment & Recreation; Other Services; Construction; and, Finance & Insurance.
- The region ranked third in employment growth among the nine regions.
- The region's traditional economic base industries reported overall job growth of 1%.
- The Professional, Business & Information Services sector is the largest component of the region's economic base, followed by Tourism & Entertainment, Wholesale Trade & Transportation, and Federal Government.

Highlights for the ten largest industry sectors in the Southern Border Region:

- All Government was the largest sector, but experienced less than 1% employment growth.
- Other Services and Construction reported the fastest growth rates.
- Professional, Scientific & Technical Services and Accommodation & Food Services reported the highest concentrations of the top ten sectors.
- Nine of the ten largest sectors reported job growth from 2001 to 2005. Only Manufacturing reported job losses.

Figure 99 Southern Border Region At-A-Glance: Top Ten Industries



CONCLUSION

California experienced overall job growth of 3.8% from 2001 to 2005, despite the 2001 recession. Eight of its nine economic regions reported job growth during this period. The Greater Sacramento Region reported the fastest growth, followed by the San Joaquin Valley Region, Southern Border, and Central Sierra. Only the Bay Area Region, hit hardest by the recent recession, reported job losses.

California has many strong industries, whether based on employment size, growth or concentration. The state's largest industry sectors include All Government, Retail Trade, Manufacturing, Health Care & Social Assistance, Accommodation & Food Services, and Professional, Scientific & Technical Services. The fastest growing sectors were led by Other Services, Construction, Educational Services, Finance & Insurance, and Accommodation & Food Service. Of these, both Construction and Finance & Insurance pay better than the statewide average. Looking closer, at the sub-sector level, six of the top ten fastest growing sub-sectors also reported higher average wages than the statewide average. These included Wholesale Electronic Markets, Agents & Brokers; Credit Intermediation; Funds, Trusts & Other Financial Vehicles; Motion Picture & Sound Recording; Construction of Buildings; and, Real Estate.

California has a competitive advantage (high concentration of jobs) in a number of industries. At the sub-sector level, the greatest of these include the Agriculture-related sub-sectors of Crop Production and Support Activities for Agriculture; the Tourism & Entertainment-related sub-sectors of Motion Picture & Sound Recording and Performing Arts, Spectator Sports Industries; the Manufacturing sub-sectors of Apparel Manufacturing, Computer & Electronic Product Manufacturing, and Beverage Manufacturing; and, the Information-related sub-sector of Internet Publishing & Broadcasting.

California's regions are diverse. Each region has different economic strengths. From the Bay Area, known for its high tech-related industries, to the San Joaquin Valley Region, known for its agriculture, each region has its own unique industry composition, emerging and growth industries, and strengths. When making public policy, it is important to remember that each region is unique, and that actions may have a varying degree of impact on the regional economies if they impact some industries more than others.

Still, the regions do have some things in common. All of the regions thrive on innovation and entrepreneurship, and this is no less true for the rural regions. Policies that promote innovation and entrepreneurship, or at least do not hinder them, will be beneficial to all of the regions. Also, all of the regions will benefit from public policies that allow the flexibility to address unique regional issues and priorities.

Common challenges include providing a well-educated and well-trained workforce that can meet the needs of growing and diversifying economies; targeting workforce investments toward fast-growing and high-paying industries, while also serving well-established industries that are "mainstays" of the economy; and, coordinating economic development, workforce training and education efforts at the regional level, so that these disciplines not only know each others' goals, but set goals and address regional issues cooperatively.

To ensure California's future prosperity, it will be important for policy-makers to make public policies and investments that promote innovation and entrepreneurship, support economic diversification and growth, promote regional planning and problem-solving, and allow each region to address its unique economic priorities. Other priorities must include maintaining world-class education and training systems that help job seekers to meet industries' workforce demands, maintaining the necessary infrastructures, protecting the quality of the environment and the state's natural resources, and providing all Californians with the opportunity to achieve career goals and experience the quality of life that they desire.

TABLE OF FIGURES

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